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ABSTRACT

This handbook is intended to help economic educators develop teacher training courses for demonstrating to classroom teachers how to teach economics to children, grades 1-9. Teachers enrolled in the course carry out their own pupil activities which teach economic ideas. These activities include problem solving, case studies, skits, making posters, viewing of films, and role playing. The teachers write a brief description of the concept the activity teaches and the teaching techniques used and share their experience with the activities in group discussion. The handbook material (1) provides a description of the topics to be covered in each session; (2) lists related films, filmstrips, handout materials, and other needed resources; and (3) gives a general description of how to organize each session. The handbook was originally published as a resource for Oregon teachers. This revised edition, however, can easily be used by teachers and educators in other states. (Author/RM)

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An Economics Course for Elementary School Teachers

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By Hugh Lovell and Charlotte Harter

Joint Council on Economic Education

An Economics Course for Elementary School Teachers

By Hugh Lovell and Charlotte Harter

Center for Economic Education
Portland State University
Oregon Council on Economic Education
P.O. Box 751, Portland, Oregon 97207

Second Revised Edition

1975

Joint Council on Economic Education

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Preface

This is a revision of a guide originally entitled *Instructor's Handbook to the Package Economics Course*, published by the Center for Economic Education at Portland State University and the Oregon Council on Economic Education in 1969. Because of the success of the course, the staff of the Joint Council felt that a slightly revised version of the guide would be of value to others involved in the training of elementary school teachers. The new edition, now entitled *An Economics Course for Elementary School Teachers*, is *not* intended to be a prescription that others can follow precisely. It is intended as a framework or model of a course designed to blend economics content and methods of instruction.

Although the Handbook was tailored for use with materials produced in Oregon, and was intended for teachers who are serving in Oregon schools, there are many sections which present ideas which can be adapted for use in training elementary teachers in any state—ideas which teachers, in turn, can use in their classrooms. In other words, many of the suggested activities do have transferability. In several cases, materials and activities will have to be revised. This is particularly true in regard to statistical data and other facts on Oregon, but these *do* serve to suggest to users in other areas the kinds of data and specific references they might want to gather for teachers in their states or cities. It is up to the user to replace them with more up-to-date or locally relevant material of a similar nature. (As we go to press, the teachers guides for grades 1, 2, 4 and 8 are still available in limited quantity from the Joint Council on Economic Education. See the latest *Checklist*, "Elementary School section.")

The Joint Council on Economic Education is indebted to professors Hugh Lovell and Charlotte Harter for giving us the opportunity to publish this revised edition, and for their help in making the necessary changes. Those planning to use this guide should consult the Joint Council's latest *Checklist* for other materials that might be useful in helping teachers to present economic concepts to children.

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Introduction to the Second Edition

This is a slightly revised second edition of a *Handbook* originally published by the Oregon Council on Economic Education in 1969. It is a "how to teach" *Handbook* and, like the original, is designed to demonstrate to economists and others one way of showing classroom teachers "how to teach economics" to children in grades one through eight or nine.

The original handbook was based on a seven-session noncredit in-service training program for Oregon teachers. The program was later expanded, by Charlotte Harter of the Center for Economic Education at Oregon State University, to include additional sessions on consumer choices, on jobs and incomes, and on Oregon government services and taxes. The enlarged ten-session course has been successfully completed by over 1,000 Oregon teachers. It was the first and only economics course for most of those who enrolled.

The Joint Council on Economic Education asked us to revise the original *Handbook* so that it could serve as a "model" from which economic educators in other areas could develop teacher-training courses which blend significant economic concepts with teaching/learning strategies which actually work in the classroom. Those who use it for this purpose will naturally wish to incorporate state and local examples and otherwise modify it to fit the curriculum their teachers are using and other special needs.

We have had more than five years of experience with our course and with the *Handbook* and if we were asked to summarize would reply like this:

1. The teacher is not the ultimate target. The target is the student in the teacher's classroom.
2. It pays to express economic content in terms of the subject matter and the grade level with which the teacher is familiar.
3. It pays to use methods and materials like those that the teacher will use in the classroom.
4. It pays to organize the course so that each teacher will teach several economic concepts to his or her students before the course is over.

Hugh G. Lovell and Charlotte T. Harter
Oregon Council on Economic Education

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Introduction

A series of Teachers Guides to Economics for grades one through eight was published by the Oregon Board of Education in 1968. These guides resulted from the Oregon Developmental Economic Education Program, an activity of the Oregon Council on Economic Education, and were designed to help classroom teachers to insert appropriate economic ideas into the existing social studies curriculum. Subsequently, a "Package Economics Course for Teachers" was developed for the Council by Hugh Lovell and Leonard Robertson of Portland State University and was taught by them in the Oregon City, Lynch, and David Douglas School Districts near Portland. The package course was designed for use by school districts which wished to give their teachers additional in-service training in economics and/or to get them interested in putting the suggestions made in the Teachers Guides to actual classroom use. This *Handbook* is a description of that course and is offered for others who may be called upon to teach such a course but who are less familiar than we with schools and teachers or with the Teachers Guides themselves.

About Schools and Teachers

Our friends in education tell us that "curriculum is what happens when the teacher shuts the door behind him," by which they mean that teachers have a good deal of say about what actually is going to happen in the classroom and hence find it very easy to ignore suggestions that they introduce material of a new or different kind such as economics. Because of this the Teachers Guides were consciously designed to present economics as a subject which (a) was easy enough for children and teachers to understand; (b) would "enrich" things that teachers were already doing—i.e., make it possible for them to do a more interesting and better job with the material they were already teaching; (c) would not require them to give less time to other important subjects like reading, arithmetic, or history; and (d) would help them to present economics from an objective point of view. The Guides are built around the subject matter generally taught at a particular grade level (for example, the Grade Four Guide deals with economic aspects of Oregon history; the Grade Eight Guide, with economic aspects of American history). They are organized around economic concepts or "big ideas" which are both relevant to the subject matter that the teacher will be covering *and* significant from an economist's point of view. They suggest practical devices a teacher can use to explain the "big ideas" to children and to discover whether they are in fact understanding them.

Why the Package Course

The Package Course was designed to supplement the Guides on the theory that the Guides would not teach themselves and that the ideas and suggestions in them would be more apt to be put to use (a) in a school district which was willing to organize a districtwide training program and by so doing tell its teachers that it views economics as a significant part of the curriculum, and (b) where classroom teachers have had a chance to talk about some of their own doubts and misgivings about trying to handle the new material and, with luck, to become genuinely enthusiastic about putting it to use in their classrooms.

Thus, while we were concerned with giving teachers a better understanding of economic principles, the objectives of the package course are considerably broader than that. After all, much of the economics that a fifth-grade teacher can teach is already written down in the Fifth Grade Guide. The prime objective of the package course is not to give this material in a lecture form. The prime objective is to convince teachers that economics is fun for teachers and children, that it can be taught, and that one can teach it without having to abandon other cherished parts of the curriculum. Once we have accomplished this objective, once we have teachers who are actually handling economic ideas and liking it, then we can proceed to offer additional courses and programs that will further enrich the teachers' own understanding of the subject.

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How the Course Is Organized

First, this is not a one-instructor course. The instructor, an economist, will be generally responsible and will handle "General Sessions," but the Oregon Council will also recruit experienced classroom teachers to handle practical "Grade-Level Meetings" for smaller groups of teachers before or after the general presentation by the economist. Such teachers will be drawn from those who have taken this course and used economics activities successfully in the classroom.

Second, the course calls for a variety of instructional devices. Some lecturing is probably indicated, and with this in mind we have prepared overhead transparencies which state the essential concepts that we think the teachers should grasp. However, we have also prepared problems and quizzes for solution by individuals or small groups, we have prepared three short 16mm. films for use at appropriate places in the course, and we have identified other, longer films which we recommend because we think they do an excellent job of presenting or summarizing certain parts of the material. Our thought in doing all this is a simple one: teachers are pretty tired people after a day in school; they are more likely to stay awake and interested in a classroom session that includes several types of instruction than in one that consists entirely of a lecture.

Grade-Level Meetings

Our experience with preliminary versions of the course indicates that at least one-third of the available classroom time should be used for "Grade-Level Meetings" led by classroom teachers who have previously taught economics to their children. This permits a 40/80 minute split in a two-hour session or a 60/120 minute split in a three-hour session. However, we also gather that the grade-level meetings in the preliminary versions of the course were not as productive as they should have been. The difficulty seemed to be that we used teachers who were employed by the districts that were arranging the course. These teachers had some difficulty in securing and maintaining an "expert" status vis-à-vis their colleagues.

Our current view is that the teachers who handle the "Grade-Level Meetings" should try very hard to maintain such an "expert" status. The instructor should meet with them at least once before the course starts and agree with them on assignments, procedures, departures from the recommendations made in this "Handbook" and on such other matters as is appropriate. It should be made clear that they are expected to function as *teachers* of the teachers in their grade-level meetings, and should urge them actually to demonstrate some of the things that they do with their own children: e.g., have the teacher-students behave as if they were children for the purposes of the demonstration. We have found that it is useful to meet with the expert-teachers during each week of the course to hear from them how things are going and to talk about adjustments that may be necessary.

Suggested procedures for each grade-level meeting appear in the body of the Handbook. Generally, we urge the "expert" (1) actually to demonstrate how he or she would teach the current topic to the children, (2) to urge teachers to teach it to their children, (3) to discuss the results of this experimentation at the grade-level meeting for the following week, and (4) in preparation for the following week's topic, ask the teachers to think and talk about ways in which they may have already attempted to teach material related to that topic.

General Sessions

The General Sessions are the responsibility of the economist who teaches the course.

The Handbook material on these General Sessions does three things: (1) It provides a short description of the topics we think should be covered in each general session. (2) It lists related films, filmstrips, handout materials and overhead transparencies. (3) It gives a general description of how we would organize each session, how we would use the films and the handout materials, and what we had in mind when we prepared the various transparencies. Some of the films are available from the Council and some from other sources. The handout materials can be reproduced by the Council or in the field as is required. The transparencies can be made from the list at the end of this book.

We do not anticipate that anyone will actually have time to use *all* the materials we suggest, or that they will wish to follow *all* our suggestions to the letter. Our intent was to suggest a *method* of instruction and a *level* of instruction that seemed to be effective with this rather special audience of experienced grade school teachers. Our *method* is one that minimizes lectures in favor of buzz-groups, films, and discussions in which teachers explain "this is what I tried to do," so that the instructor can comment on it. Our *level* is one that is closely geared to the economic material that teachers will actually be teaching to children in the primary, intermediate and upper grades.

Textbook and Assignments

We have asked the teachers or their districts to purchase copies of Calderwood and Fersh, *Economics for Decision-Making* (Macmillan Publishing Company, New York, 1974), $3.95. This is a useful little book and fits our outline well enough, but we haven't actually used it very much in class.

The principal assignment for the teachers is carrying out with their own pupils activities which teach economic ideas. The main criterion is the quality and quantity of activities completed (or planned in detail if it is a summer course). Teachers of the lower grades can be expected to do more activities as they are usually simpler and shorter than activities which might be done at the upper grades. The teachers share their experience with their activities in group discussion and also hand in a brief description (concept taught, how done, how did it go?) on a card. The classroom teacher teaching team member who is leading the group session is responsible for helping the teachers to plan their activities, moderating the discussion and collecting the activity cards.

The other criterion for success or failure in the course is attendance. A "just for fun" quiz is part of our suggested program for the final session.

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Outline—The Package Course in Economics

1. *What Economics Is All About:* How the Teachers Guides to Economics were developed and what they are like. Economics is an analytical subject and is concerned with the allocation of scarce resources. We are all consumers. Someone must produce the goods and services we need. Our resources are scarce. We can produce more with our resources if we use tools and machinery (capital), and if we specialize. C&F, Chapters 1 and 2.*
2. *Producers and Consumers in Our Economic System:* Ours is a modified market economy. Producers buy resources from those who own them. They sell the goods and services they produce to those who want them and have the money to buy them. The circular-flow diagram shows these relationships between producers and consumers. Individual and economywide decisions about what to produce and what to buy are influenced by price changes and help to cause them. C&F, Chapters 3 and 4, pp. 72-78 and 89-97.
3. *Businesses and Governments:* Some of our goods and services are produced by governments and paid for by taxes, but most of our goods and services are produced by businesses. Businesses are willing to risk money and resources in the hope of earning a profit on what they sell. The operations of our economy are influenced by the fact that some of our businesses are very, very large. C&F, Chapters 5 and 6; pp. 75, 109-117, 150-153.
4. *Regional (and International) Specialization and Trade:* Oregon has "primary industries" which produce goods and services for sale to people in other places, and "secondary industries" which produce goods and services for sale to Oregonians. Each region and country has such primary and secondary industries. If primary industries grow or shrink, the secondary industries tend to follow. C&F, Chapters 13 and 14.
5. *Money and Banking:* Money makes it easier for us to exchange our goods and services for those produced by other people. Most of the money we use in the United States consists of bank deposits. Our banks accept deposits and make loans and have a lot to do with the amount of money in circulation. We attempt to control the amount of money in circulation so as to avoid unemployment and inflation. C&F, Chapters 10 and 11.
6. *Economic Growth and Stability:* Why our economy grows and changes. How we use Gross National Product, price indexes, and other statistical tools to measure economic growth and change. Why we are interested in economic stability—a pattern of growth that avoids depression and inflation. Some of the ways in which we try to achieve economic stability. C&F, Chapters 7, 8, 10, 12.

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*C&F refers to James D. Calderwood and George Fersh, *Economics for Decision-Making* (New York: Macmillan Publishing Company), 1974.

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7. *Jobs and Income:* In most families someone earns an income by selling labor. A worker's income depends on how many hours are worked and on the wage rate he or she received. Wage rates ultimately depend on the demand for each type of labor and on the supply of workers with the necessary skills and abilities. Society's standard of living depends on the productivity of our national economy. Job opportunities change as our economy grows and changes. People who want to find jobs that fit them need to know about themselves and about available job opportunities, and need to know how to find and keep a job. Many workers are organized into unions which bargain with employers about wages and employment conditions. C&F, pp. 60-62, 74-75, 119-121, 125.
8. *Oregon Government Services and Taxes:* Oregonians have directed their state and local governments to produce certain goods and services. Oregonians have wanted more services, of many types, than goods; education is the largest service of Oregon's state and local governments. The amount and quality of services and goods citizens want have risen over the years and, in order to pay for them, so have taxes. Citizens must frequently rethink what goods and services each level of government should produce, and what types of taxes should pay for them. *Economics of Taxation* booklet; C&F, pp. 75, 153-158; Corvallis budget, *Oregon Government Spending and Income* (Center handout).
9. *Consumer Choices:* Consumers share the basic economic problem since incomes (resources) are limited but wants are unlimited. Consumers must make difficult choices among various goods and services, between buying things now or in the future, and among types of credit. To make the best choices, consumers need to know where to get sound information about goods, services and credit, and understand what prices and the economy are doing. Consumer choices are a major force in determining what our economy produces. C&F Review, pp. 39-46, 57 (table), 114-119, 196-198.
10. *Review, Display, "Just-for-Fun" Quiz.*

CENTER FOR ECONOMIC EDUCATION
Oregon State University
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Course Content

1. What Economics Is All About

Description

How the Teachers Guides to Economics were developed and what they are like. Economics is an analytical subject and is concerned with the allocation of scarce resources. We are all consumers. Someone must produce the goods and services we need. Our resources are scarce. We can produce more with our resources if we use tools and machinery (capital) and if we specialize. (Calderwood and Fersh, Chapters 1 and 2.)

Materials Available

HANDOUTS: *Course Outline*. Pages 3 and 4 of this Handbook.

The Oregon Council on Economic Education. A one-page summary of the activities and organization of the Council. Page 7 of this Handbook.

Going to Seattle. A problem that deals with the costs of operating a family car and specifically calls for a decision about which of various automobile costs should be charged against the Seattle trip. Designed for buzz-group use. Pages 8 and 9 of this Handbook.

MATERIALS: *Assembly-Line Demonstration*. (A team of six teachers working as individuals competes with a team of six teachers working on an assembly-line basis to produce a paper automobile with glued-on doors, windows and wheels. A victory by the assembly-line team illustrates the advantages of specialization. Described more fully on page 10 of this Handbook.)

16mm FILM: *Dr. Dale Parnell*, five minutes. (Dr. Parnell, the Oregon Superintendent of Public Instruction at the time the Guides were published, talks about the need for economic education and welcomes teachers to the training program. Source: OCEE)

Assembly Line, about ten minutes. (Individual third graders in Mr. Louis Cava's class are outproduced in the manufacture of paper automobiles by a competing group who works as an assembly line. Moral: specialization pays off in output. Source: OCEE)

TRANSPARENCIES: 1-1 through 1-13.

Grade-Level Meetings

One important activity for the teachers to carry out as the course progresses—the matrix outline—should be introduced at the first grade-level group session (small-scale version of matrix outline on page 13 of the Handbook). The outline has proved useful in helping the teachers to identify where and how they can teach the economic concepts they are learning. On the left margin are the lesson topics. The teacher can write under each one specific concepts like "scarcity," "specialization." The first column to the right can be used to put the page numbers and/or subject headings where that concept can be taught in the *curriculum* the teacher is *using*. Then in the second column, each teacher can pinpoint the page numbers for activities teaching that concept in the Oregon *Teachers Guide to Economics* for his/her grade. The right-hand column (or columns) can be used to identify activities for teaching that concept with other types of materials (filmstrips, games, books) or in other curricula. This outline should be filled in as the course progresses, shared each time with grade-level groups, and perhaps checked by the master teacher near the end of the course. It will provide the teacher with a permanent, handy reference for several purposes: (1) to pinpoint where to integrate and teach particular economic concepts in the curriculum each is using; (2) finding where (or if) there is an activity in the Oregon *Teachers Guides to Economics* for each concept; and (3) where a variety of activities to teach each particular concept can be found.

General Session

(1) We strongly urge that this session open with a discussion of the extent to which the teachers now handle economic concepts. ("How many of you now handle materials or activities dealing with economics?" Show of

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hands. "You had your hand up, what did you do? Did it work? What about some of the rest of you?") We think that this procedure is worthwhile, even in a very large class, because it tends to open up questions and problems that the teachers actually face and gives the instructor an opportunity to comment on and/or build material around situations in which some of the teachers have a direct and immediate interest.

Some of the questions and answers that came up in our opening sessions ran like this:

(a) "Why did the committee that designed these Guides think that this material could ever be taught at the ____ grade level?" We entered the DEEP project without preconceived ideas about what could be taught at any grade level. The ____ grade teachers in the project found that significant economic ideas could be taught in the ____ grade, that the children were interested in them, and that they didn't detract from other important things. These ideas are the ones that appear in the Guides.

(b) "Isn't it a mistake to get children all concerned about this materialistic dollars-and-cents view of life?" Dollars and cents are not the only thing worth worrying about. However, what we are trying to do is to help the children to learn how to make intelligent decisions about personal matters and about public economic issues as well. Dollars and cents aren't the only thing to be considered in making such decisions, but they do play a *very real part* in all our lives, from grade one clear up through retirement.

(c) "Isn't this whole program some kind of capitalist (communist) plot?" Bias is a very real problem when you deal with significant economic issues. Take the simple question of thrift. Should children be taught to put their extra money in the bank, in a savings and loan association, in stocks and bonds, in a new car, in life insurance? The Oregon Council on Economic Education and its counterparts in other states are committed to handle such choices in an objective and nonpartisan way. They accomplish this in part by trying to include representatives of all major economic interests on their governing boards. The Oregon Council's board thus includes teachers, educators, representatives from the state's major industries and labor organizations, and elected politicians from the major parties.

(2) We then suggest use of the handout, *Going to Seattle*. It serves as a useful icebreaker because everyone is concerned about the cost of running an automobile, but it also makes the point that we are dealing with an analytic subject rather unlike the more descriptive social sciences with which most teachers are familiar. Our procedure has been to divide the teachers into buzz-groups of four (by walking through the class and saying, "You, you, you and you will be in this group," and "You, you, you and you in that one"), and by asking each group to work out its own answer to the problem. The arrangement of chairs seems very important to the success of these group discussions: we try to insist on a close grouping of four people like this because person four in a more scattered arrangement like this one ① ② ③ ④ is unlikely to be drawn into the discussion and probably will not participate.

When the groups are finished, we generally ask for a show of hands to see how many groups felt that the trip could cost, say, more than 15¢ per mile, 10¢ through 14¢, 5¢ through 9¢, or less than 5¢, and encourage those who came up with some of these conclusions to explain why they decided the way they did. *Transparency 1-4* mentions fixed, variable and alternative (opportunity) costs and may assist in a discussion of this. Differences between our answer—3.4¢ per mile—and other answers sometimes come about because our model differs from that used by some of the teachers. Such differences can be used to bring about a discussion of models and how economists use them.

(3) The 16mm film, *Dr. Dale Parnell*, and the handout, *Oregon Council on Economic Education*, permit a more formal introduction to the course and are designed to lend official sanction to it. They do not need much comment here. We have used the Parnell film at the very beginning of the course (before the Seattle handout) but now think that the other approach is better for ice-breaking reasons. The film might also be used at the end of this lesson.

(4) SCARCITY AND SPECIALIZATION. *Transparencies 1-5 through 1-13* cover only the very simplest concepts in regard to scarcity and specialization. In using them we try to get the teachers to think and talk about ways in which they have taught or might be able to teach such concepts to their children. *Transparency 1-9* appears in the deck because primary teachers (grades 1, 2, 3) spend a good deal of time trying to convince their children that there is a distinction between needs (things that children do not like but grownups think they should have, like cod-liver oil) and wants (things that children want but grownups think they shouldn't have, like a diet of potato chips and candy). The transparency suggests that if Mr. A and Mr. B have different tastes, they should buy different things and that it is not for the *economist* to worry about individual differences in tastes or goals.

Transparency 1-13 is more important than it looks. Grade school teachers often spend quite a lot of time on methods of transportation and communication—the Pony Express, the telephone, the Apollo program—without realizing that transportation is significant because it permits a higher degree of economic specialization and hence more productivity. They often also fail to realize that money plays an important role in permitting specialization. (More on money in Session Five.)

(5) THE ASSEMBLY LINE. We stress the Assembly Line film and/or demonstration for two reasons: (a) the idea of specialization is a powerful one and one that can easily be handled at all grade levels, (b) at this stage the teachers in the course need an activity that they can try out in their classrooms and report back at the second session of the course. The *Assembly Line* demonstration is described on page 10. Our experience has been that classroom assembly lines do not always pay off in greater output, but this can lead to fruitful discussion of the relationship between specialization, interdependence, and so on. The *16mm film, Assembly Line*, shows an actual classroom situation in which the assembly line does win. It may be a better bet than the demonstration in a large class.

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OREGON COUNCIL ON ECONOMIC EDUCATION*

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The Oregon Council was founded in 1957 and is organized as a nonprofit corporation. It is one of almost 50 similar Councils affiliated with the Joint Council on Economic Education (1212 Avenue of the Americas, New York, NY 10036) and like the others is governed by a Board of Directors that represent a wide range of community interests, among them agriculture, business, labor, and education. The chairman of the Board for 1975 was Mr. Alden Toevs, President of Citizens Bank of Corvallis, and the President was Ronald W. Kelleher of Pacific Northwest Bell.

The Council's constitution empowers it to undertake a wide range of activities on behalf of economic education in Oregon. The Council's Teachers Guides to Economics, Grades One through Eight, were published by the State Department of Education. Almost 1,000 elementary teachers have enrolled in the Council's ten-week "Package Economics Course." The Council worked with KGW-TV on an hour-long television quiz show, "You and the Economy." It sponsors conferences to acquaint university, college, and community college economists with improved teaching methods. It makes grants available to schools and colleges for specific economic education activities. It works closely with Centers for Economic Education at Oregon State University, and Portland State University. The Center Director at Oregon State University is Charlotte Harter, Asst. Professor of Economic Education. Center Director at Portland State University is Dr. Leonard Robertson, Professor of Business Education.

The Council's operating budget is based on contributions by over 75 Oregon business firms and labor unions. Its offices are located at Portland State University and its education director, Dr. Hugh Lovell, is Professor of Economics at PSU.

*Substitute similar statements for states other than Oregon.

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GOING TO SEATTLE
(Revised 1975)

What Is the Cheapest Way for the Jones Family to Go to Seattle and Back?

If they go by bus, $13.15 round trip, 2 adult and 2 children's tickets, $39.46 divided by 350 miles, 11.3 cents per mile.

If they go by car: 350 miles round trip at ____ cents per mile, $_____.

Your problem: From the information given below (it is based on a recent study by the Federal Highway Administration), (a) *decide which* of the Jones' automobile costs should be applied to the Seattle trip, (b) *add them* up on a per-mile basis, and (c) multiply by 350 miles to get the costs of driving to Seattle. *DO:* (a) accept the accuracy of our calculations. They may not fit your own experience, but they are good enough for this purpose; (b) use the margin of this page for calculations. *Don't* worry about the relative comfort, fun, educational value, or convenience of the bus versus the car, or about local travel in Seattle—just work out the cost of driving there and back.

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The Joneses are an average family. They have a compact car (2-door sedan) with typical equipment (6-cylinder engine, automatic transmission, power steering, radio, body protective molding). Their car will last a typical ten years and run a typical 100,000 miles, but new cars are driven more than old ones so the Joneses drove theirs a typical 14,500 miles during its first year and will drive it a typical 13,000 miles during this, its second year.

Our cost figures assume that the Joneses paid a typical $2,696 for the car when they bought it 13 months ago, and that they will drive it the typical 13,000 miles during its second year. Some of the costs, like gas and oil, are per-mile costs. We underlined these in the per-mile column but we multiplied them by 13,000 to give you an annual total for the per-year column. The other costs are per-year costs. We underlined them in the per-year column but divided them by 13,000 to give you a per-mile total.

	Per Mile (cents)	Per Year (dollars)
Depreciation: The value of the one-year old car, $2,022 less its value when it will be two years old, $1,503 = $519	3.99¢	$519
* *Finance Charges:* Original price, $2,696 less $696 trade-in and down payment = $2,000. Loan of $2,000 paid off in 24 installments of $103.33 a month, with interest at 2% a month, total finance charge $480 for two years = $240 for this, the second year.	1.85	240
* *Lost interest income:* (If the Joneses sold the car after one year for $2,022 and put the money in the bank at 6% they would have earned in interest during the year about . . .)	.93	121
Repairs and maintenance	.83	107
Replacement tires, including taxes	.12	15
Accessories	.02	3
Gasoline and oil, including taxes	2.46	319
Insurance	1.13	147
Garaging, parking, tolls, etc.	1.53	199
Registration	.17	20
	13.03¢	$1,690

Source: *Indicates our own calculations. All other information is taken from Highway Statistics Division, Federal Highway Administration, U.S. Department of Transportation, *Costs of Operating an Automobile* (Washington: Government Printing Office, April 1972).

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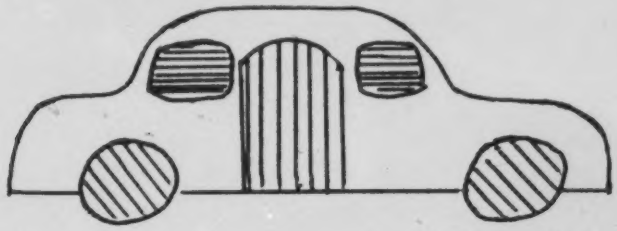
PROCEDURE FOR AN ASSEMBLY-LINE DEMONSTRATION, PAPER AUTOMOBILES

This demonstration involves a race between six nonspecialized teachers, each of whom produces a complete paper automobile by glueing precut paper parts to a precut paper body, and six specialized teachers who produce a similar vehicle on an assembly-line basis. (Teams of four may also be used.) The objective is to demonstrate the advantages of specialization in terms of output. An alternative objective, in case the assembly-line group does not win, is to open a discussion on problems of interdependence, coordination, etc., in a specialized society. The demonstration takes about ten minutes and is fun. The automobile is the same one used in the Oregon Council's 16mm film, *The Assembly Line*. Other possible assembly-line projects include the packing of Red Cross packages, sorting crayons by color, and so on.

Materials Required: Two work tables, ten chairs, a chalkboard or wall on which to display the finished cars, two or more dispensers with cellophane tape, nine small bottles of Elmer's Glue, precut paper parts for 50 automobiles: i.e., 50 bodies, 50 doors, 100 windows, 100 wheels. These should be prepared from poster paper in contrasting colors and according to the illustration below. It helps to ditto or mimeograph X marks on the bodies to assist in locating the glued-on parts.



(about ten inches long)

Procedure: Select volunteers, show them how the finished car will look, divide the parts between the two teams. The nonspecialists will each finish a complete car and will fasten it to the board. The tasks performed by the specialists will probably be as follows: (1) door gluer, (2) front-wheel gluer, (3) rear-wheel gluer, (4) front-window gluer, (5) rear-window gluer, (6) displayer. Allow enough time—it takes a while for the first car to reach the end of the line and this gives the nonspecialists an advantage in a short race.

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2. Producers and Consumers In Our Economic System

Description

Ours is a modified market economy. Producers buy resources from those who own them. They sell the goods and services they produce to those who want them and have the money to buy them. The circular-flow diagram shows these relationships between producers and consumers. Individual and economy-wide decisions about what to produce and what to buy are influenced by price changes and help to cause them. (Calderwood and Fersh,[1] Chapters 3 and 4, pp. 72-78, and 89-97.)

Materials Available

FILMSTRIP AND 33-RPM RECORD: *Work Outside the Home.* This strip shows what first graders can do as they work through the Senesh SRA economic materials, *Our Working World.*[2] We suggest use of a short portion of the strip, a portion showing children working as producers of houses, food and clothing. They earn money and take it home to their wives who spend it on houses, food and clothing. One day the wives don't buy houses, they buy clothing instead. The home builders are ruined until the clothing manufacturers decide they need another factory. The best place to start the filmstrip and the record is where the picture and the voice say, "Someone who is unemployed: Dick is our neighbor. He used to work at a trailer factory but it closed down. Now he doesn't have a job." (Source: OCEE)

16mm FILM: *Allocating Our Resources,* 30 min., B&W. This is one of the preview films for the American Economy Telecourse. Dr. John Coleman contrasts a completely planned economy on the Russian model with a completely free enterprise economy and then places our own mixed economic system between the two extremes. Source: Division of Continuing Education Film Library, P.O. Box 1941, Portland, Oregon 97207.

HANDOUT: *Iowa Corn Blight* (On page 13 of this Handbook.)

TRANSPARENCIES: 2-1 through 2-19.

Grade-Level Meetings

(1) Talk about the assembly line and/or specialization projects and why they worked or didn't work for the teachers. (2) Demonstrate and discuss a circular-flow project for the teachers to try out with their children. (3) *For next time* encourage the teachers to think about and report on (a) their own success or failure with the circular-flow concept and (b) ways in which they have taught or think they might be able to handle concepts relating to governments and businesses in our economic system.

General Session

(1) As before, we urge that the sessions begin with a discussion of (a) the extent to which the teachers experimented with an assembly line (How many of you tried to use an assembly line? You had your hand up, did it work as well as you hoped it would?) and (b) the extent to which they have taught or think they could teach concepts dealing with the relationships between consumers and producers in our economic system. If participation lags, as it may do at this stage, we recommend that you ask for a show of hands from those teachers who are willing to *promise* that they will think about something dealing with governments and businesses and be prepared to talk about it next time. Make the point that the course is designed to work with *their* problems, and get as many of them as possible to "show their hands and promise" because the actual show of hands seems to have a lot to do with the amount of actual participation that will result in the third and subsequent sessions.

(2) THE CIRCULAR-FLOW DIAGRAM. The filmstrip, *Work Outside the Home,* is probably best used as soon as the opening discussion is finished. We would be inclined to show it twice because, although it doesn't introduce the idea of the circular flow as such, it clearly—and in first grade language—demonstrates a circular flow between consumers and business firms. This circular-flow idea is probably the most important idea to get over in this session.

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Transparencies 2-1 through 2-3 relate to the circular flow. *Transparency 2-3* is a simplified version of a circular-flow diagram that is built up step by step in our Grade Three Guide (pp. 32-36). It shows "families" and "firms" but does not include a separate box for government. Some teachers report that they get better results if they simply put "businesses and governments" in a single box when they first construct the diagram. *Transparency 2-3a* is a barter circular-flow diagram based on the Grade Four Guide's discussion of a pioneer Oregon economy (pp. 20-22).

(3) PRICES AND ALLOCATION OF RESOURCES. We think that it is important to make sure that the interrelationships shown by the circular-flow diagram and the Senesh strip are clearly understood before placing a lot of emphasis on the sometimes confusing role that prices play in affecting the flows between firms and households. These relationships are summarized in *transparencies 2-4 through 2-19*. *Transparency 2-11*, "The Succotash Theorem," tries to present the relatively sophisticated idea that prices affect not only a choice between high and low priced versions of a single product, but also affect the mix of the family's purchases. *Transparencies 2-13* and *2-14* deal with the economic decisions made by businesses. *Transparencies 2-16 through 2-19* attempt to explain how the overall economy decides what, how, and for whom to produce and how "good" its decisions are.

(4) SUMMARY AND REVIEW. The 16mm film, *Allocating Our Resources*, serves as an excellent review of both the circular flow and the price ideas. It presents these ideas at a somewhat higher level than we handle them in the transparencies and from a somewhat different point of view, but this is all to the good. We find that there are real advantages in having a film review of material that we have presented—for one thing, the film seems to carry a great weight of authority. (We would be sure to use this film *even* if there is a time problem.)

The Handout, *Iowa Corn Blight*, was also designed as a review exercise and can be used with good results. We present it as a surprise "TEST!" designed to see if the teachers have really grasped the basic workings of our economic system and use it as a buzz-group exercise in the same fashion as the *Seattle Trip* problem of the first session (the same buzz-groups can be reconvened). The discussion that follows the buzz-groups will probably lead into such matters as (a) elasticity—the corn farmers may wind up richer instead of poorer, (b) substitutes and complements—not all buyers will switch from corn to oats, (c) prices as signals to producers and consumers, (d) the impact of product prices on factor prices, (e) the idea that an economy is a system in which everything affects everything else.

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[1] James D. Calderwood and George Fersh, *Economics for Decision-Making*. New York: Macmillan Publishing Company, 1974.

[2] *Our Working World*, SRA Resource Unit, Grade 1, Science Research Associates, Inc., Chicago, 1964 (state-adopted). (The *Our Working World* series was revised and updated in 1973. Write Science Research Associates, 259 East Erie St., Chicago, IL 60611, for details.)

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PACKAGE ECONOMICS COURSE
Teaching Activities

Subjects	*My Curriculum* (where it is or where to plug it in)	*Oregon Guides for Teaching Economics*	*Other Sources*
1. "What Economics is all about." "Scarcity" "Specialization"			
2. "Producers and Consumers in our Economic System."			
3. "Consumers: Choices, Choices."			
4. "Jobs and Income."			
5. "Business and Governments."			

Put 6-10 on an additional page.

IOWA CORN BLIGHT

August, 1970: Corn blight strikes Iowa. Most of the corn crop is destroyed. This is corn used for feed. What impact is this likely to have on the following. . . .

1. The price of corn?
2. The demand for oats?
3. The income of corn farmers in Iowa?
4. The price of oats land in Minnesota?
5. The earnings of a locomotive engineer in Nebraska?

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3. Business and Governments

Description

Some of our goods and services are produced by governments and paid for by taxes, but most of our goods and services are produced by businesses. Businesses are willing to risk money and resources in the hope of earning a profit on what they sell. Some of our businesses are very, very large. (Calderwood and Fersh, Chapters 5 and 6, pp. 109-117.)

Materials Available

HANDOUTS: *The Fabulous Cost-Free Product* (page 15 of this Handbook)

Questions from Quiz, "You and the Economy." Gives the questions asked on a television quiz program produced by the Oregon Council on Economic Education (page 16 of this Handbook).

16mm FILM: *Case For Competition*, 30 min. B&W. This film discusses why competition begets lower prices, provides a greater variety of products and is generally in the consumer's best interests. Antitrust officials and business discuss their differing views on monopoly, labor, profits and subsidies, and if fear of antitrust action restricts new investment and growth. (Source: Division of Continuing Education Film Library, P.O. Box 1941, Portland, OR 97207)

TRANSPARENCIES: 3-1 through 3-27.

Grade-Level Meetings

(1) Talk about circular flow and price system projects and why they worked or didn't work for the teachers. **(2)** Demonstrate and discuss projects dealing with businesses or governments. Encourage the teachers to try them out with their own children. **(3)** *For next time* encourage the teachers to think about and report on (a) their own success or failure with material on businesses and government and (b) ways in which they have taught or think they might be able to handle economic ideas relating to Oregon, to the various regions of the United States, or to foreign countries.

General Session

(1) As before, we suggest beginning with a discussion of the extent to which the teachers actually used the circular-flow and price system concepts presented at the second session. It helps if some of the teachers bring actual diagrams made by the children and explain them to the class. The circular-flow and price allocation ideas are difficult for teachers to grasp and will probably need some review at this point. A frequent question has to do with the proper handling of government in the circular-flow chart: "My children don't understand about the post office because it gets its money by selling stamps to people."

(2) BUSINESS AND THE ECONOMY. Teachers often establish classroom enterprises which sell cookies, snowcones, or similar products in an effort to earn money for a picnic or field trip. We like to encourage them to tell the class about ventures along these lines (a) because it is sometimes possible for us to enrich the venture by asking about concepts that the teacher may have missed —i.e., "Should this teacher have asked the children to pay her interest on the $3.65 she lent them for cookie mix for the cookie sale?" and (b) because it might give us a chance to comment on activities of dubious educational or economic significance.

Transparencies 3-1 through 3-5 talk about businesses as such. The "Business as an Adventure" idea in *3-2* reflects our attempt to compare modern business ventures with the early voyages of discovery and the early trading companies. (See the opening pages of the Grade Five Guide.) *Transparencies 3-6 through 3-10* relate to the industrial revolution in England and particularly to the impact of the new textile factories on the hand-loom weavers. This historical approach to the technological change/free entry/equilibrium price concept was developed for use in the Seventh Grade Guide but seems easy for the teachers to understand and paves the way for material on monopolistic competition and big business. Fifth and eighth-grade teachers may want to use it in terms of Eli Whitney and his mass-produced musket.

The *Fabulous Cost-Free Product* was designed as a buzz-group exercise. It attempts to deal with the idea of elasticity and, particularly, with the thought that a monopolist is able to set his own best price by controll-

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ing the quantity which he places on the market. It is probably best used just before *Transparencies 3-11* and *3-12* on monopolistic competition and concentration of ownership.

The film *Case For Competition* is an excellent summary for this section.

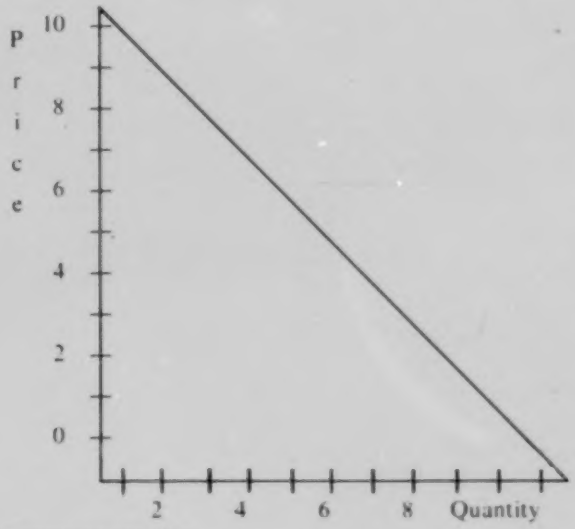
(3) GOVERNMENT AND THE ECONOMY. As with business, we like to begin the discussion of government by soliciting questions from the teachers and/or by asking them to describe government projects that they have done or are interested in. The primary guides suggest things like the "tax walk"—a walk through the neighborhood so that the children can look for things that were paid for with tax money (Grade Three Guide, pages 26-31). The private-enterprise fire fighting business mentioned on page 27 of the Grade Four Guide is based on an actual news item and might be worth mentioning; the wolf bounty meeting debate from page 24 of the same guide is also useful; more advanced material appears in the Grade Eight Guide, pages 94-97.

We like to start by discussing why we get government to be our "purchasing agent" in providing us with some of our goods and services, and what these are (*transparencies 3-14* and *3-15*). *Transparency 3-16* explains pie charts and it is included because this is the first time we use them. The 'You and the Economy' quiz sections are used at this point to reveal how little the teachers actually know about taxes and to lead into the progressive/regressive concept. (Answers to these questions appear on page 17. Most teachers, and most of those who take the quiz, seem to favor a proportional tax system. *Transparencies 3-21* and *3-22* attempt to analyze the income transfer functions of government by suggesting that under some circumstances we might increase total satisfaction by transferring $5000 from Family B (with $25,000 income) to Family A (with $5000 income). *Transparency 3-23* leads into the two principal philosophies of taxation. The session ends by measuring the federal taxes (income and payroll) by some key tax criteria.

THE FABULOUS COST-FREE PRODUCT

You have invented a fabulous product which you can make and distribute for *absolutely nothing* (there are no money costs of any kind that you will have to pay). You are the sole producer, and you can charge *whatever price you like*. However, if you charge 10¢ each no one will buy your product; if you charge 9¢ each you will sell one item; if you charge 8¢ each you will sell two; and so on as is shown in the table and on the chart below.

Price	*Number sold*
10	0
9	1
8	2
7	3
6	4
5	5
4	6
3	7
2	8
1	9
0	10



You want to make as much money as possible.

WHAT PRICE SHOULD YOU CHARGE? _____

HOW MANY WILL YOU SELL AT THIS PRICE? _____

HOW MUCH MONEY WILL YOU TAKE IN? _____

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QUESTIONS FROM "YOU AND THE ECONOMY" QUIZ

1. This is an opinion question. There is no correct answer. If Mr. Jones earns five times more than Mr. Smith,

   A. Jones and Smith should pay the same taxes—they are both citizens.
   B. Jones should pay five times as much as Smith—he earns five times as much.
   C. Jones should pay more than five times as much as Smith—he can afford it better.

2. If Mr. Jones earns five times more than Mr. Smith, his *federal income tax* bill will be

   A. about the same as Smith's.
   B. about three times as much as Smith's.
   C. more than five times as much as Smith's.

3. If Mr. Jones earns five times more than Mr. Smith, his *property tax* bill will be

   A. about the same as Smith's.
   B. three times as much as Smith's.
   C. more than five times as much as Smith's.

4. If Mr. Jones earns five times more than Mr. Smith, his *sales tax* bill will be

   A. about the same as Smith's.
   B. three times bigger than Smith's.
   C. more than five times bigger than Smith's.

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ANSWERS TO QUESTIONS FROM "YOU AND THE ECONOMY" QUIZ

1. This is an opinion question. There is no correct answer. We asked it because we wanted you to start thinking about what kind of taxes *you think* would be most fair.

2. C is the best answer. With the federal income tax, the more you earn, the higher percentage of your income you have to pay. (A study of the federal income tax showed that the average $20,000 family, with five times as much income as an average $4,000 family, would pay *23* times as much in federal income taxes.)*

3. B is the best answer. A study of property taxes showed that the average family with an adjusted gross income of $22,500 paid approximately three times as much in property taxes as families with adjusted gross incomes of $4,500.**

4. B is the best answer. A study of sales taxes across the country showed that the average $30,000 family, with five times as much income as the average $6,000 family, paid about *three times* more in sales taxes.***

*There are some cases, however, where people with very high incomes pay little or nothing in federal income taxes, as in situations in which an individual derives income from tax-free municipal bonds.

**Students must not get the impression from this question that the property tax is based upon money income. People with higher incomes tend to own more valuable property. It should be noted that the property tax sometimes takes a higher *percentage* of the poorer person's income than of the rich person's income.

***The richer family pays more in sales taxes because it spends more. Again it is possible that the poorer family will be paying a higher *percentage* of its income in sales taxes, however.

00024

4. Regional (and International) Specialization and Trade

Description

Oregon has "primary industries" which produce goods and services for sale to people in other places and "secondary industries" which produce goods and services for sale to Oregonians. Each region and each country has such primary and secondary industries. If primary industries grow or shrink, the secondary industries tend to follow.

Specialization and exchange between individuals, regions or countries is of value even to those who are very efficient or who have abundant resources. However, while we are interested in encouraging specialization, we have also passed tariffs and other laws which affect the degree to which we specialize. Trade between nations is complicated by the fact that each country uses its own kind of money. (Calderwood and Fersh, Chapters 13 and 14; Grade Eight Guide, pp. 52-59.)

Materials Available

MAP: *Land-Use Map of the Portland Metropolitan Area.* This map covers the area from Gresham to Hillsboro and is colored to indicate residential, business and industrial activity. *Transparency 4-1* is a copy. Additional copies may be obtained from the Columbia Region Association of Governments, Portland. Similar maps may be available from planning commissions in other metropolitan areas.

HANDOUTS: *Hatfields and McCoys.* This is a comparative advantage exercise and was prepared for buzz-group use.

Questions from "You and the Economy: Oregon Economy"

16mm FILM: *Economics of Trading Among Nations,* 30 min. This film is from the National Economics Telecourse. In it John Coleman points out that trade among nations is similar to trade between regions or between people and stems from differences in natural and other resources. He discusses comparative advantage, tariffs and so on.

TRANSPARENCIES: 4-1 through 4-38

Grade-Level Meetings

(1) Talk about what the teachers did in regard to businesses and governments. (2) Demonstrate and discuss a project related to primary and secondary industries and/or to specialization and trade. (3) *For next time* encourage the teachers to think about and report on (a) their own successes or failures with activities related to primary and secondary industries and/or specialization and trade, and (b) ways in which they have taught or think they might be able to handle concepts dealing with money and banking.

General Session

(1) As usual we recommend beginning with a discussion of things that the teachers actually did with the third session material on businesses and governments.

(2) PRIMARY AND SECONDARY INDUSTRIES. *Transparencies 4-1 through 4-11* follow a train of thought built around the land-use map. (See Grade Three Guide, pages 1-3.) We suggest that third-grade teachers obtain or make maps of their own metropolitan areas, put flags on them to show where parents and friends of the children work and shop and that they go on from here to talk about the kinds of goods and services that Oregonians make, where they are sold, and how changes in the demand for our primary products have an impact on incomes and employment in Oregon. This line of discussion leads naturally into a reinforcement and review of the circular-flow concept and of the idea, first introduced in the Senesh filmstrip, that a declining demand for a primary product may mean unemployment for those who make it and also for those who provide them with secondary goods and services. Somewhat the same line of thought is introduced in the Grade Five Guide, pages 25-29, which deals with a "Regional Approach to the American Economy" and ties into the combined regional geography, regional history approach that is used in many grade five texts. Sixth and seventh-grade teachers would be interested in applications to Latin American and European countries.

(3) DOES SPECIALIZATION PAY OFF? The handout, *Hatfields and McCoys,* was designed for buzz-group

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use and is a simple problem in comparative advantage. *Transparencies 4-12, 4-13,* and *4-14* summarize the Hatfield and McCoy analysis. *Transparencies 4-15 through 4-20* continue the discussion of specialization. An application to American history is involved in *4-18* which relates to the impact of the Erie Canal on shipping costs and, hence, to the possibility of increased specialization and trade between downstate New York and the Great Lakes region. Activities related to this appear in the Grade Five Guide on pages 16 and 17.

(4) INTERNATIONAL TRADE. Some instructors may find time to handle all of the following material, but we were never able to do so. The 16mm film *Economics of Trading Among Nations* is from the National Economics Telecourse. In it John Coleman points out that trade among nations is similar to trade between regions or between people, discusses comparative advantage, and points out that imports compete with local products. *Transparencies 4-21* through *4-29* summarize some of the ideas presented in the film and review the Finmark/Denland comparative advantage illustration that appears there. *Transparencies 4-30* and *4-31* are an attempt to expand a cotton tariff illustration from the Grade Five Guide (p. 22) into a discussion of balance of payments problems. The R.O.W.'s mentioned on some of these transparencies are an imaginary "Rest of the World" currency. *Transparencies 4-32* through *4-38* deal with balance of payments and distribution problems.

*Some economists refer to "primary industries" as "basic industries" and "secondary industries" as "nonbasic industries."

THE HATFIELDS AND THE McCOYS

The Hatfields and the McCoys don't talk to each other much. They would rather shoot than smile. The Hatfields are better off than the McCoys in every way. Why, it takes only 8 hours for one Hatfield to grow one bushel of corn (for bread or whiskey) and only 9 hours for one Hatfield to make one yard of cloth.

The McCoys aren't any more (or less) shiftless than the Hatfields, but their land is worse and their tools aren't so good. Anyway, it takes 12 hours for one McCoy to grow one bushel of corn and 10 hours for one McCoy to make one yard of cloth. The McCoys are worse off than the Hatfields because they have to work longer for everything they have.

Now old Ma Hatfield is a sly one, and she's been sitting and rocking and thinking for years and years. One day she says, "Paw! Paw, I've been cogitatin'. You know what I think? I think we'd be a whole lot better off if we stopped fighting the McCoys, spent more of our time raising corn, and traded with the McCoys when we needed cloth."

Paw spat.

"Damnit, woman," he said. "We are better farmers than those varmints, and better weavers, too! Besides, I don't want to be dependent on that poor white trash for my clothes."

Was Ma right?

Suppose it would pay the Hatfields to trade corn for cloth. Would it pay the McCoys to trade cloth for corn?

Was Paw right?

QUESTIONS FROM QUIZ:
"YOU AND THE ECONOMY: OREGON'S ECONOMY"

1. The income of the average Oregonian is higher than that of the average American.

   True or false

2. How many Oregon households had less than the poverty level income in 1970?

   A. One out of every four
   B. One out of every ten
   C. One out of every twenty

3. Which of these Oregon industries employs the most people?

   A. Lumber and wood products
   B. Agriculture and food processing
   C. Wholesale and retail trade

4. Since World War II Oregon employment has been growing about as fast as employment in the other western states.

   True or false

5. If we want Oregon to grow and prosper, we should

   A. produce everything we need right here in Oregon so we won't have to buy from outsiders.
   B. produce as much as we can for sale outside of Oregon so as to bring money into the state.
   C. buy outside products whenever they are cheaper than ours and sell our products outside whenever we can.

6. Too many Oregon firms are owned by out-of-staters who take their profits away from Oregon.

   True or false

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ANSWERS TO QUESTIONS FROM QUIZ: "YOU AND THE ECONOMY: OREGON'S ECONOMY"

1. False. In 1972 Oregon incomes averaged $4,287 per year for every man, woman and child. This is $205 below the national average of $4,492.

2. B is closest. One out of every 11 Oregon families was below the poverty level income in 1970. (Poverty level varies with the number of children in the family, etc. For an urban family of 4 with 2 children, it was $3,700.)

3. C is correct: Here are the figures for 1973:

Wholesale and retail trade	190,200
Service industries (incl. finance and realty)	177,600
Government (federal, state and local)	159,500
Lumber and wood products	78,500
Transportation, utilities, communication	52,200
Agriculture	45,600
Contract construction	38,000

4. False. Oregon employment is up only 55 percent compared to 94 percent for the 11 western states as a whole (excludes Alaska and Hawaii). Here are some figures:

Growth in Nonagricultural Employment, 1947-1967

State	*No. of New Jobs*	*Percentage Increase*
Nevada	111,300	207.6
Arizona	298,100	204.6
California	3,283,400	106.6
Utah	144,000	78.3
Oregon	231,500	55.2
Washington	360,700	52.6
Idaho	62,600	50.1
Montana	44,600	30.7

5. C is the best answer. We would be poorer, not richer, if we tried to grow our own bananas or to make our own automobiles. We would be poorer still if we tried to sell Oregon bananas in Nicaragua or Oregon automobiles in Detroit. Our best bet is to specialize in things that Oregon is particularly good at—lumber, plywood, peppermint oil, grass seed—and to go to outsiders for things that they can make cheaper than we can.

6. False. Oregon won't grow unless it gets more machinery, more factories, more equipment, more tourist facilities. If we had to rely on Oregon money to buy these things, we wouldn't grow as fast. Businessmen—both Oregonians and out-of-staters—won't take their funds away from Oregon as long as Oregon is a good place to invest.

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5. Money and Banking

Description

Money makes it easier for us to exchange our goods and services for those produced by other people. Most of the money we use in the United States consists of commercial bank deposits. Our banks accept deposits and make loans and have a lot to do with the amount of money in circulation. We attempt to control the amount of money in circulation so as to avoid unemployment and inflation. (Calderwood and Fersh, Chapters 10 and 11.)

Materials Available

16mm FILMS: *What Money Is and Is Not*, 30 min. We recommend use of the first ten minutes of this film, which is from the American Economic Telecourse. (Our print has been cut at a suitable stopping place.) Professor Coleman makes the point that money is anything that people will accept. There is an excellent display of exotic money and a skit in which a woman buys groceries with ice cubes. The last twenty minutes, which we do not recommend, deals with the history of money in the United States and with other matters. *Source:* OCEE

Money in the Bank and Out, 15 min. A perfectly beautiful color film that begins with a grade school boy who lends his friend a dollar toward a baseball mitt and continues with a building contractor who borrows money from a bank. *Source:* Division of Continuing Education Film Library, P.O. Box 1941, Portland, Oregon 97207.

MATERIALS: *Barter Game Skit.* This is a role-playing situation that makes the point that barter is much more cumbersome than the use of money. Based on an example in Grade Four Guide, p. 5 (page 23 of this Handbook).

Banks and Banknotes Skit. Another role-playing situation. The Bank of Atlanta and the Bank of Boston print paper "banknotes" with a rubber stamp. These are issued to borrowers and are accepted as money until a run develops that destroys the Bank of Boston and then spreads to the Bank of Atlanta. Based on an activity from the Grade Eight Guide, pp. 52-57 (pages 25-26 of this Handbook). Teachers may want copies of these skits for their own use.

TRANSPARENCIES: 5-1 through 5-18

Grade-Level Meetings

(1) Ask the teachers to talk about their specialization and regional trade projects and why they worked or didn't work. (2) Demonstrate and discuss money or banking projects for the teachers to try out with their children. (3) *For next time* encourage the teachers to use and report on (a) activities dealing with money and banking and (b) ways in which they have taught or think they could teach concepts relating to economic growth and stability.

General Session

(1) As usual, we recommend beginning with a discussion of things that the teachers actually did with the fourth session material on primary and secondary industries and/or on specialization and trade, and with their thoughts on how they might deal with material on money and banking.

(2) WHAT MONEY IS/WHY MONEY IS USEFUL. We would then use either *The Barter Game* film or the *Barter Game Skit* to make the point that barter is clumsy and slow while the use of money is relatively quick and efficient. The skit may be a more effective way of doing this than the film. On the other hand, the film does illustrate an actual classroom project. We would then suggest *Transparency 5-1*, "Money is anything that people will accept" and the first ten minutes of the 16mm film, *What Money Is and Is Not*. *Transparencies 5-2* and *5-3* involve a historical application to the revolutionary period.

(3) HOW BANKS OPERATE. The transition from money as a medium of exchange to banks as institutions is a little hard to manage, but we cannot presume that

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the teachers really understand enough about banks to take them directly into the material on expansion of deposits. The 16mm film, *Money in the Bank and Out*, is very strong and, because it is designed for use in the intermediate grades (4, 5, 6), it is easy to comprehend.

(4) OUR MONEY SUPPLY IS FLEXIBLE. The *Banks and Banknotes Skit* and *transparencies 5-4* through *5-10* tie into the treatment of the banking system that appears in the Grade Eight Guide, pages 52-59. It deals with the banking system as it existed before the Civil War when banks issued their own banknotes which circulated as currency. In our view it is easier to show changes in the money supply by using banknotes which, when issued to borrowers, have the immediate and direct effect of increasing the money supply, rather than by using bank deposits which require a rather complicated explanation of the relation between one generation of banks and another. The transparencies and the skit also deal with bank runs and with laws designed to prevent them. A full description of the skit appears on pages 25-26 of this Handbook.

Transparencies 5-11 and *5-12* handle the expansion of bank deposits in a more traditional way. We prefer to use them only after working through the banknote material, with or without the skit, and do not bother with them when time is short.

(5) TIGHT MONEY AND LOOSE MONEY. *Transparency 5-13* says that our money supply is flexible; *5-14* through *5-16* point out the economywide consequences of "loose money" and its impact on borrowers and lenders. *Transparency 5-17* lists some of the famous historical controversies that have involved loose money and tight money and is included to show fifth and eighth-grade history teachers that an understanding of this economic concept may make some of their historical material more meaningful to the children.

PROCEDURE FOR THE BARTER GAME SKIT

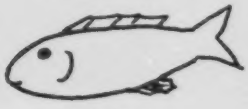
This skit is based on an example in the Grade Four Guide, page 5. It requires four actors. The first four teachers who enter the room are logical candidates, as they can study their lines while the others are arriving. The characters they play are as follows:

1. An Indian who has a salmon and wants six eagle feathers
2. An Indian who has six eagle feathers and wants a bow and arrow
3. An Indian who has a bow and arrow and wants a tomahawk
4. An Indian who has a tomahawk and wants a salmon

The Indians go on stage one by one and explain their roles. They have pictures (drawn on an ordinary file folder with a wide felt pen) of each of the commodities and actually exchange the pictures with each other. In the "First Act" no exchange can take place until all the Indians are on stage. In the "Second Act" the first Indian has a picture of wampum as well as his or her salmon and the transactions are much simpler. *Caution:* teachers and students who play this game often like to bargain over the price of the goods they are exchanging. This is fun but it detracts from the purposes of the game. We are careful to warn our teachers against it.

We wrote instructions on the back of each picture so that each Indian would know what his or her role was. Our pictures and instructions follow:

FIRST INDIAN



(salmon)

You are an Indian. You have a salmon. You want six eagle feathers.

Act One: Explain your role. Stay on stage until you have traded your salmon for the feathers. Do not trade your salmon for anything else.

Act Two: You have wampum. You are willing to spend the wampum for the feathers. You are willing to sell your salmon for wampum. You may leave the stage as soon as you have sold the salmon and have the feathers.

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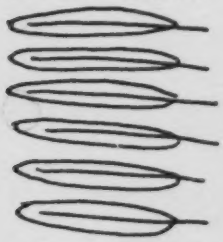
SECOND INDIAN



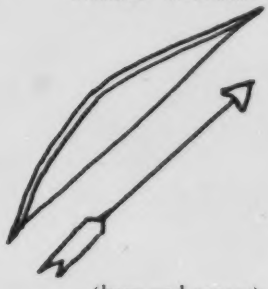
(6 eagle feathers)

You are an Indian. You have six eagle feathers. You want a bow and arrow.

Act One: Explain your role. Try to trade your feathers for the bow and arrow. Don't accept anything else. Stay on stage until you have made your trade.

Act Two: You are willing to sell your feathers for wampum. You are willing to spend the wampum. You are willing to spend the wampum on a bow and arrow. Stay on stage until you have your bow and arrow, then leave.

THIRD INDIAN



(bow and arrow)

You are an Indian. You have a bow and arrow. You want a tomahawk.

Act One: Explain your role. Try to trade your bow and arrow for the tomahawk. Don't accept anything else. Stay on stage until you have made your trade.

Act Two: You are willing to sell your bow and arrow for wampum. You are willing to spend the wampum on the tomahawk. Stay on stage until you have your tomahawk, then leave.

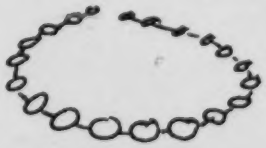
FOURTH INDIAN

(tomahawk)

You are an Indian. You have a tomahawk. You want a salmon.

Act One: Explain your role. Try to trade your tomahawk for a salmon. Don't take anything else. Stay on stage until you have made your trade.

Act Two: You are willing to sell your tomahawk for wampum. You are willing to spend the wampum on a salmon. Stay on stage until you have your salmon, then leave.



Second act: All Indians have a string of wampum.

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PROCEDURES FOR THE BANKS AND BANKNOTES SKIT

Banking as done before 1860

Act One: The teachers on the left-hand side of the class are citizens of Boston. Those on the right-hand side are citizens of Atlanta. The instructor appoints two bankers and helps them to organize the Bank of Atlanta and the Bank of Boston. He does this by giving each banker $10 in gold (ten slips of yellow paper marked "One Dollar in Gold" will do) and a rubber stamp for printing "banknotes" which reads, "The Bank of Atlanta (Boston) will pay the bearer one dollar in gold on demand." Each banker issues him $5 in banknotes, which he is willing to accept because of the promise to pay in gold, and credits him with a $5 share of stock in the bank. The banknotes pass into general circulation in each "city." Use different colors of paper for each bank's notes. The instructor helps each banker to establish a T-account on a nearby blackboard.

The accounts should look like this:

BANK OF ATLANTA (BOSTON)

Assets		Liabilities	
Gold	$10	Instructor's stock	$5
		Banknotes	$5
	$10		$10

Act Two: Borrowers appear. Cyrus McCormick, Samuel Morse, and Oliver Evans in Atlanta. Eli Whitney, Robert Fulton, and Samuel Colt in Boston.* They have big name tags (same color as banknotes of those cities) so people will know who they are. Write invention of each on back of nametag and have student explain it to class. The bankers accept IOU's from each of their respective borrowers and print up to $10 worth of banknotes for each of them. These are accepted and pass into general circulation in each city because of the promise to pay gold on demand.

The T-accounts now look like this:

BANK OF ATLANTA (BOSTON)

Assets		Liabilities	
Gold	$10	Instructor's stock	$ 5
IOU's	30	Banknotes	35
	$40		$40

Concept Demonstrated: Our money supply is flexible: It expands when commercial bank loans are made, and contracts when loans are repaid. (To make this clearer, have one borrower repay his loan. Have Banker tear up IOU and also the banknotes. They are no longer part of the money supply of the community. New ones can be printed for next loan.)

Act Three: One of the Boston inventors (on a trip South) tried to spend his Boston banknotes in Atlanta. People in Atlanta refuse to accept them because they do not believe the promise to pay in gold on demand. However, the Bank of Atlanta knows the Boston Bank is willing to accept the Boston notes at par and to issue its own banknotes in return. (We ignore fees imposed for this service as they would complicate the T-accounts.) Later on it may be able to sell the Bos-

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*Samuel Morse	Invented telegraph, increased speed of communicating.
Robert Fulton	First successful steamboat, faster, more dependable transportation; enlarged the market area and encouraged specialization and trade.
Cyrus McCormick	1850's: mechanical reaper: increased agricultural productivity.
Oliver Evans	His gravity-flow grist mill was the first continuous-process production.
Samuel Colt	His repeating pistol was mass-produced, so lower cost. "Gun that won the West."
Eli Whitney	1790's: cotton gin: made cotton costs low enough so cotton could sell to mills in England. Made cotton most profitable use of land. Also first to use interchangeable parts, in manufacturing muskets.

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ton banknotes to a northbound traveler, *or* the Bank of Boston may acquire Atlanta banknotes. See the Grade Five Guide, pages 19-20, *Ohio Frontier Scene*, for more elaboration.

The T-account for Atlanta now looks like this:

BANK OF ATLANTA (BOSTON)

Assets		Liabilities	
Gold	$10	Instructor's stock	$ 5
Boston banknotes	10	Banknotes	45
IOU's	30		
	$50		$50

Act Four: Bostonians are horrified to hear that the Morse telegraph isn't going to work. They fear for the value of their banknotes and descend on the banker *en masse* to collect the gold that his banknotes promise them. He is, of course, unable to pay that much gold on demand and his bank goes bankrupt. News of this spreads to Atlanta, and with it the information that many of the Bank of Atlanta's assets are in the form of now worthless Bank of Boston banknotes. Atlantans are horrified, fear for the value of their own banknotes, and descend on their banker *en masse*. He goes bankrupt, too.

Concepts demonstrated: (1) Banks make profits by lending money for interest, and (2) the main asset (or backing) of our money supply was (and is) the promises (and assets) of the borrowers—not gold.

Discussion Questions:

1. Was there any limit on the amount of loans a banker could make?
2. What happens to the community when the bank goes bankrupt?
3. What could be done to prevent "runs" and bankruptcy?

Study and discussion can then lead into how banks and our money supply operate today. Discussion questions:

1. What laws do we have to prevent "runs" on banks, causing bankruptcy?
2. How is the increase or decrease of the money supply regulated today?

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6. Economic Growth and Stability

Description

Why our economy grows and changes. How we use Gross National Product, price indexes, and other statistical tools to measure economic growth and change. Why we are interested in economic stability—a pattern of growth that avoids depression and inflation. Some of the ways in which we try to achieve economic stability. (Calderwood and Fersh, Chapters 7, 8, 10, 12.)

Materials Available

16mm FILM: *American Business System: How It Evolved*, 30 min. A NAM-National Educational Television program dealing with the evolution of American industry from early colonial times to the present. Shows reproductions of early machinery, modern factories, mentions big business and corporations. *Source:* Division of Continuing Education Film Library, P.O. Box 1941, Portland, Oregon 97207.

16mm FILM: *Search for Stability*. 30 min., CBS, Coleman-Schoenbrun. Economics fluctuations, monetary policy and fiscal policy explained for the informed layman. Best used as a summary-review but useful because the authority of the film lends support to the instructor's own explanation of these sometimes suspiciously viewed topics. *Source:* Division of Continuing Education (see address above).

HANDOUT: Quiz on Economic Growth and Change.

TRANSPARENCIES: 6-1 through 6-29.

Grade-Level Meetings

(1) Talk about what the teachers did in regard to money and banking. **(2)** *For next time* encourage the teachers to bring in actual posters or other material for display at the final session of the course.

General Session

(1) As usual, we recommend beginning with a discussion of things that the teachers actually did with the fifth session material on money and banking.

(2) WHY ECONOMIC GROWTH? The *Quiz on Economic Growth and Change* attempts to get at this by raising questions that are posed at various places in the Grade Four and the Grade Five Guides. It can be used on an individual or a buzz-group basis. Somewhat the same results can be obtained by asking buzz-groups to agree on "The *single* most important factor behind the growth of our economy." This question and a list of important factors appear on *Transparency 6-1*. The 16mm film, *American Business System: How It Evolved*, could also be used at this point. It is a good film but is not essential.

(3) HOW WE MEASURE ECONOMIC GROWTH AND CHANGE. Our working definition of Gross National Product is the one that appears in the Grade Five Guide, p. 34: "How much money would it take to buy all the goods and services our economy produced last year?" *Transparency 6-2* is a pie chart showing the main elements of GNP for 1968, *6-3* is a similar pie chart for Guatemala, 1965, and is included to permit a contrast in the proportion of GNP available for investment and government purposes.

Transparency 6-4 reproduces a "Cafeteria Price Index" illustration from the Grade Eight Guide, page 68. An overlay is used to show how an arbitrary factor is used to produce an index of 100 for the base year. *Transparency 6-5* shows GNP at constant prices from 1870 to 1970. It indicates a doubling of real GNP between 1910 and 1935, another doubling between 1935 and 1960. *Transparency 6-6* shows GNP per person over the same period—it indicates that while it took 42 years to double the 1900 GNP per capita, it will only take 28 years to double the 1942 level. *Transparencies 6-8* and *6-9* are "Gee Whiz" charts with overlays attached to show how the same data would look if presented in a proper, conservative fashion. Some of the teachers may want to refer to Darrell Huff, *How to Lie With Statistics* (New York: W.W. Norton, 1954) for further information on this.*

(4) WHY WE ARE INTERESTED IN ECONOMIC STABILITY. *Transparencies 6-10* through *6-14* introduce the basic ideas that output responds to changes in aggregate demand, and that we may be able to control depression and inflation by taking steps to influence the level of aggregate demand. *Transparency 6-15* makes the point that these relatively new ideas were first systematically used—at least at the fiscal policy level—in the

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tax cuts of 1964-65 and the surtax of 1968. *Transparency 6-16* has to do with problems of predicting future economic activity and, hence, of deciding on policy. It lists a number of leading indicators, including sunspot activity and skirt lengths.

Transparencies 6-17 through *6-19* point out problems of choice between alternate goals (stable prices vs. full employment) and alternate methods (higher taxes vs. tighter money) and comment on the national debt. They can be used at this point or saved until after the historical explanations have been made.

(5) HISTORICAL EXAMPLES OF INFLATION AND DEPRESSION. Most school teachers have strong backgrounds in history and respond particularly well to material which presents economic concepts in a historical content. *Transparencies 6-20* through *6-23* summarize the material on the Civil War inflation which appears in the Grade Eight Guide (pp. 66-73). The Union and Confederate armies needed products or resources which had previously gone to civilian buyers. The governments of the North and South printed paper money with which their armies could outbid the civilians. The result was inflationary because aggregate demand thus increased at a time when aggregate supply was limited. *Transparency 6-22* hints at a multiplier effect but we don't usually stress this. *Transparency 6-23* lists alternative economic policies that the North or South could have used to cut civilian demand and limit the inflationary pressure.

Transparencies 6-24 through *6-29* deal with the Great Depression in somewhat the same way. The depression was marked by a 45 percent decline in Gross National Product. It was caused by a tremendous 90 percent drop in business expenditures for new plant and equipment, a drop which caused a major 40 percent decline in consumption expenditures as well. (Government expenditures fell by 5 percent.) *Transparency 6-27* suggests that our initial policies—tight money and lower government spending—were wrong and tended to make the depression worse.† *Transparency 6-28* uses overlays to suggest that the proper policy was one of trying to replace about $15 billion in lost investment demand but leaves the class to decide how to do this. *Transparency 6-29* shows the actual policies in terms of deficit spending and interest rates for the 1930-1940 period.

The film, *Search for Stability*, reviews these various concepts from a different and somewhat more complicated perspective. However, it uses excellent visuals and is a very good film, one that should be shown even if other material has to be left out.

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*More recent books similar to this one are Stephen Campbell's *Flaws and Fallacies in Statistical Thinking* (Englewood Cliffs, N.J.: Prentice-Hall, 1974) and Robert Reichard's *The Figure Finaglers* (New York: McGraw-Hill, 1974).

†See A. G. Hart, P. B. Kenen and A. D. Entine, *Money, Debt, and Economic Activity* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1969), pp. 409, 411.

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QUIZ ON ECONOMIC GROWTH AND CHANGE

1. Did pioneer mothers have more fun than modern mothers?

2. List three occupations many people used to have—occupations that we hardly see today.

   1. _____

   2. _____

   3. _____

   List three occupations many people have today—occupations that no one had 100 years ago.

   1. _____

   2. _____

   3. _____

3. Why might a modern farmer worry more about crop prices than a farmer of 50 or 100 years ago?

4. List three things that great-grandmother would have made for herself—things that today's home-maker would buy at the store.

   1. _____

   2. _____

   3. _____

5. How much money would it take to buy all the goods and services our economy produced last year?

Where to find answers:

1. Fourth Grade Guide, page 22.
2. Fifth Grade Guide, page 42.
3. Fifth Grade Guide, page 34.
4. Fourth Grade Guide, page 22.
5. Fifth Grade Guide, page 34.

Oregon Council on Economic Education
P.O. Box 751, Portland, Oregon 97207
Dr. Hugh G. Lovell, Education Director

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7. Jobs and Income

Description

In most families someone earns an income by selling labor. A worker's income depends on how many hours are worked and on the wage rate he or she received. Wage rates ultimately depend on the demand for each type of labor and on the supply of workers with the necessary skills and abilities. Society's standard of living depends on the productivity of our national economy.

Job opportunities change as our economy grows and changes. A person who wants to find a job that fits him or her, needs to know about him or herself and about available job opportunities, and needs to know how to find and keep a job.

Many workers are organized into unions which bargain with employers about wages and employment conditions. (Calderwood and Fersh, pp. 60-62, 74-75, 119-121, 125.)

Materials Available

16mm FILM: *Job Interview: Whom Would You Hire?* Part A: Three Young Women, or Part B: Three Young Men. Each 17 minutes, color. Actual job interviews filmed with a hidden camera. Film viewer is asked to evaluate each applicant as to appearance, attitude, reliability, motivation, and preparation for employment, to answer the question, "Whom would you hire?" *Source:* Division of Continuing Education Library, P.O. Box 1941, Portland, Oregon 97207.

16mm FILM: *Job Interview*, 15 minutes, color. Follows a young man from when the employment service counsellor tells him of the job opening until he has been hired, with some scenes of poor job-hunting procedures for contrast. *Source:* same as above.

16mm FILM: *Getting a Job Is a Job*, 17 minutes, color. The correct procedure to follow in applying for employment. Follows two young people as they seek employment, pointing out the right and wrong ways of applying for a job. *Source:* same as above.

HANDOUT: *Choosing Your Occupation*, or *How to Get and Hold the Right Job*. Similar booklets which include self-inventory forms, tips on interviews, letters of application and where to look for a job are available free from your State Employment Service Office.

How Pacific Northwest Occupations Will Change—1960-1980, and *How Employment Will Change in Pacific Northwest Industries—1960-1980*. Battelle Memorial Institute, "The Pacific Northwest: A Study of Economic Growth in a Quality Environment," reproduced in Grade Five Teachers Guide to Economics, pp. 59-60.

BUZZ-GROUP ACTIVITY: *Does College Always Pay Off?* Use with the two-page job description pamphlets ("mini-guides") available free from your State Employment Office.

16mm FILM: *Grievance*, 30 min. How the rights of a worker with a genuine grievance are protected under the union's contract. The orderly processing of a grievance through several stages of negotiations between union and management. *Source:* Division of Continuing Education, P.O. Box 1941, Portland, Oregon 97207.

16mm FILM: *Inheritance*, 45 min. The late 19th and early 20th century migrations to America. The social, economic and cultural changes which marked the immigrant's early years in this country. Conditions since 1900 as found in the sweatshops, coal mines and weaving mills and as evidenced in the labor struggles of the thirties and the civil rights movements of the sixties. *Source:* same as above.

TRANSPARENCIES: 7-1 through 7-29.

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General Session

(1) As before, we suggest beginning with a discussion of some of the activities the teachers carried out to teach the concepts in the previous lesson.

(2) INCOME EARNED BY WORKING SETS THE LIMIT OF MOST FAMILIES' CONSUMPTION. In an industrialized, developed country like the U.S., money income is earned by family members at specialized jobs outside the home. This is in contrast to a pioneer family whose consumption depends mainly upon what it can produce for itself. It might be wise to show the circular-flow diagram briefly for review, at this point. Other types of income (property, transfer) should be discussed here when it can be easily pointed out that the principal source of income is from labor (*transparencies 7-1* through *7-5*).

(3) WHY DO DIFFERENT JOBS EARN DIFFERENT INCOMES? After *transparencies 7-5* and *7-6* are shown, have the class list various items which might affect the supply of or demand for a particular occupation. *Transparencies 7-8* through *7-11* summarize these supply and demand factors. The collective-bargaining and supply-limiting roles of some unions (and other groups) are included, but it might be wise to postpone more discussion of unions until the end of the lesson. The buzz-group activity, "Does College Always Pay Off?" can be used either to launch this section, or to summarize it. If it is used at the end, each group might try to identify the supply and/or demand factors which explain the wages of the job investigated.

(4) YOUR JOB SHOULD FIT YOUR INTERESTS, ABILITIES AND INCOME NEEDS. To make wise choices, everyone needs information about (a) him or herself and (b) job opportunities. The State Employment Service booklets are an excellent device for self-evaluation. After distributing them to the teachers, you can either give them a few minutes actually to fill in the self-inventory themselves, or discuss it (and the rest of the booklet). Be sure to mention that these booklets are available free. *Transparencies 7-14* through *7-21* review the workforce and job opportunity projections to 1980 for the country as a whole, and the mimeographed sheets provide some projections for the Northwest specifically. The discussion of job opportunities provides a chance again to stress the derived demand for labor, and the influence on wages of the changes in the demand for goods and services.

(5) WHAT YOU NEED TO KNOW TO FIND AND KEEP A JOB. *Transparency 7-23* emphasizes the variety of the labor markets in which to look for a job. The job interview films are an excellent way to "spark" discussion.

(6) UNIONS SERVE THEIR WORKER-MEMBERS IN A VARIETY OF WAYS. The roles of unions are outlined on *transparency 7-24*, and some discussion of them, especially those other than collective bargaining, might be fruitful. Which jobs are unionized and which are not, and the trends for the future unionization of public employees, white collar, and agricultural labor can be brought in.

(7) TOTAL U.S. INCOME GOES UP WITH PRODUCTIVITY, BUT SOME GROUPS' INCOMES MAY GO UP FASTER THAN THOSE OF OTHERS. The income distribution question is discussed in *transparencies 7-27* through *7-29*.

DOES COLLEGE ALWAYS PAY OFF?

You are considering college at $2,000 a year for four years, and planning to become the owner of your own business. Reports show your average income will be $9,500 a year. You pick an occupational "mini-guide"* up off the street. Before you toss it away, you decide to see how much you might make in that occupation.

What would be the costs of preparing for this job? Would the training needed be obtained on the job, as an apprentice, in high school, a community college, or other training school?

After working 30 years in each occupation, how would the total net earnings compare? (Remember: you must subtract not only the cost of college or training, but also the "opportunity cost"—the income of say $6,500 a year you could have earned if you hadn't been in college or training.)

Your 30 year net earnings as a business owner: $_____

Your 30 year net earnings as a _____: $_____

DID COLLEGE PAY OFF FINANCIALLY?

*Obtain from your local State Employment Office. Folders on over 50 different jobs.

Center For Economic Education
Oregon State University, Corvallis, Oregon
Prof. Charlotte T. Harter, Director

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HOW PACIFIC NORTHWEST OCCUPATIONS WILL CHANGE*—1960-1980
(in percentages)

	1960	1980
All occupations	100	100
Professional, technical and kindred workers	12.4	18.4
Managers (including farm)	15.4	13.3
Clerical and kindred workers	13.8	17.8
Sales workers	7.5	6.9
Craftsmen and foremen	14.3	11.7
Operatives and kindred workers	14.9	11.1
Personal services (including private household)	11.8	14.1
Laborers (including farm)	9.9	6.7

*_The Pacific Northwest: A Study of Economic Growth in a Quality Environment_, Battelle Memorial Institute, Columbus, Ohio, 1967, p. 73.

Source: _Teachers Guide to Economics, Grade 5_, edited by Hugh Lovell, issued by Oregon Board of Education.

HOW EMPLOYMENT WILL CHANGE IN PACIFIC NORTHWEST INDUSTRIES*—1960-1980
(in percentages)

Professional and related services	142.9 (increase)
Finance, insurance and real estate	95.1
Business and repair services	94.6
Public administration	66.7
Personal services	61.6
Retail trade	54.0
Total Employment	51.3
Entertainment and recreation services	50.5
Manufacturing	49.6
Wholesale trade	44.4
Construction	29.3
Transportation, communications and public utilities	18.0
Agriculture, forestry and fishing	−33.4 (decrease)
Mining	−47.5 (decrease)

*_The Pacific Northwest: A Study of Economic Growth in a Quality Environment_, Battelle Memorial Institute, Columbus, Ohio, 1967, p. 73.

Source: _Teachers Guide to Economics, Grade 5_, edited by Hugh Lovell, issued by Oregon Board of Education.

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8. Oregon Government Services and Taxes

Description

Oregonians have directed their state and local governments to produce certain goods and services. Oregonians have wanted more services, of many types, than goods: Education is the largest service of Oregon governments. Families and businesses pay for these services and goods by a variety of taxes. Some of the taxes go to local governments, some go to the state government. The amount and quality of services and goods Oregonians want have risen over the years and, in order to pay for them, so have taxes. Oregonians must frequently rethink their par: decisions about what goods and services each level of government should produce, and what types of taxes should pay for them. (*Economics of Taxation* booklet*; Calderwood and Fersh, pp. 75, 153-158; *Oregon Government Spending and Income;* and Corvallis, Oregon, budget.)

Materials Available

HANDOUTS: *Mr. J. P. Tillamook of Corvallis, Oregon.* Estimated federal, state and property taxes paid by home-owner with a $12,000 income in 1974. Taxes stated as dollar amounts and as a percentage of income.

Questions from "You and the Economy: Government Services and Taxes." Gives the questions asked on a television quiz program produced by the Oregon Council on Economic Education (page 35) of this Handbook).

BUZZ-GROUP ROLE-PLAYING *How Should We Finance These Projects?* Each buzz-group takes a different project and the members of the group take different roles. The group decides and reports to the whole class.

Wolf Bounty Meeting. Teachers take roles of Oregonians of 1845 to decide who should be taxed to pay the bounty. (Grade Four Guide, p. 24.)

TRANSPARENCIES: 8-1 through 8-29.

Grade-Level Meetings

(1) Talk about what the teachers did in regard to jobs and income. (2) Demonstrate and discuss a project related to Oregon's public services and taxes. (3) *For next time* encourage the teachers to think about and report on (a) their own successes and problems with activities related to Oregon's public services and taxes, and (b) ways in which they have taught or think they might be able to handle concepts dealing with regional specialization and trade and/or primary and secondary industries.

General Session:

(1) As usual, we recommend beginning with a discussion of some of the things the teachers actually did with the previous lesson's material.

(2) This lesson starts by making clear that the state and local governments' taxing and spending activities have a more limited objective than the federal government's, namely, that they do not try to stabilize economic growth. In fact, government may have a destabilizing effect because of the constitutional requirement that the state budget be balanced.

(3) *Services and goods.* We first look at the services, and goods, that we have directed governments to provide for us, emphasizing the overwhelming importance of education at both state and local levels (*transparencies 8-2* through *8-8*). At this point have the teachers act out the Wolf Bounty meeting. This helps them to think about why citizens have decided to provide some of the goods and services they want through government rather than by private businesses through the markets. *Transparency 8-11* discusses this directly and other reasons can be added.

(4) *How do we pay for these services we've directed government to provide?* The Wolf Bounty skit introduces some answers to this question which can be drawn from the class. At this point, we like to give the "You and the Economy" quiz questions to stimulate further discussion. *Transparencies 8-13* through *8-15* discuss the questions and ideas introduced. It might be well to point out that recent studies indicate that the property tax on private homes tends to be about proportional (using income

as a base) for those with incomes above $8,000, although it is regressive for those with lower incomes. Other factors to consider in judging a tax are covered in *8-16* and *8-17*. At this point, it might make the discussion of taxes concrete if you passed out the Mr. J. P. Tillamook tax estimates, and went through it. Then the state income tax is evaluated by the criteria presented (*8-18* and *8-19*).

(5) *Are Oregon taxes high?* The comparisons given on *transparencies 8-20* and *8-21* indicate no. In fact Oregon has slipped, by 1973, to the bottom among the Western states in terms of "tax effort" (percent of income paid in taxes). The figure for Nevada in *transparency 8-21* demonstrates the desirability of using income and not per capita as the measure if the burden on the resident is to be accurately measured.

(6) *The Gap: A developing problem and how to deal with it.* Especially at the local level, but also at the state level, a widening gap is developing between the services demanded (and their cost) and tax revenues. The demand for services (and their cost) increases as incomes increase. (The price of labor is a major component of most people's income and also a major component of most services.) But the base for much of the tax revenues (especially locally) is property, not income. So automatic increases in tax revenues do not follow increases in income. Therefore, as incomes go up, the demand for (and cost of) services is increasing faster than the tax revenues—a gap which grows wider and wider (*8-22*).

Ways to close this gap which might be considered are explored in *transparencies 8-23* through *8-30*. While these alternatives are presented separately, they are certainly not mutually exclusive, and the possibility of using a combination of these alternatives needs to be stressed.

"How Shall We Finance These Projects" is a good summarizing activity. The instructor and discussion leaders can bring in more details of the various taxes in helping the groups to make their decisions.

**Economics of Taxation* (Economic Topic series), Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY 10036.

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QUESTIONS FROM QUIZ "YOU AND THE ECONOMY: STATE AND LOCAL TAXES"

1. Oregon's state and local taxes are higher than those of any other Western state. True or false
2. Oregonians pay more state and local taxes *per dollar of income* than those who live in Washington and California. True or false
3. Generally speaking, the Oregon income tax goes to the state of Oregon, while Oregon property taxes go to local governments. True or false
4. About one-tenth of your total tax dollar—federal, state and local—goes to people who are on public welfare. True or false
5. Imagine a Corvallis family with two children, one nine and one 14. Their annual property tax bill is $1,000. About $530 of this goes to the Corvallis public schools. This $530 is enough to keep their children in school for . . .
   A. one-quarter year. B. one-half year. C. one year.
6. The property tax is unfair because home owners have to pay it while people who rent go tax-free. True or false
7. This is an opinion question. There is no correct answer. If Mr. Jones earns five times more than Mr. Smith,
   A. Jones and Smith should pay the same taxes—they are both citizens.
   B. Jones should pay five times as much as Smith—he earns five times as much.
   C. Jones should pay more than five times as much as Smith—he can afford it better.
8. If Mr. Jones earns five times more than Mr. Smith, his *property tax* bill will be
   A. about the same as Smith's.
   B. three times as much as Smith's.
   C. about five times as much as Smith's.
9. If Mr. Jones earns five times more than Mr. Smith, his *sales tax* bill will be
   A. about the same as Smith's.
   B. three times bigger than Smith's.
   C. more than five times bigger than Smith's.

Oregon Council on Economic Education
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Dr. Hugh G. Lovell, Education Director

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ANSWERS TO QUIZ "YOU AND THE ECONOMY: STATE AND LOCAL TAXES"

1. False. Oregon *per capita* taxes (state and local) were lower than those of eight of the twelve western states in 1972 ($463 per capita).
2. False. In 1972 Oregonians paid the least state and local taxes *per $1000 of income* of all the twelve western states ($119). The average for the western states was $131.
3. True. Oregon property taxes are paid to state and local governments; Oregon income taxes are paid to the state government. However, local governments in Oregon get about one-half of their revenue from property taxes, they get an additional one-quarter from the State of Oregon, and the rest from other sources. The State of Oregon gets about one-third of its revenue from the individual and corporate income tax, another one-quarter from the federal government, one-seventh from special sales taxes on gasoline, cigarettes, etc., and the rest from other sources.
4. False. Only about 7 cents of your total tax dollar—federal, state and local combined—goes to public welfare.
5. A is the closest answer. In 1974 it cost about $1500 to send a Corvallis child to school for one year. About $690 of this comes from the property tax; the rest from other sources. This works out to about $1380 in property tax money for two children for one year. Our family paid $1060 to the schools, about one-third of the total cost.
6. False. Renters may not write the check that pays the tax, but they do pay the property tax when they pay their rent. A part of what they pay the landlord—about two months' rent in every twelve, in fact—goes for property taxes, just as part of what they pay goes for wear and tear on the property, for fire insurance, for other bills the landlord has to pay, and for profit on his investment.
7. This is an opinion question. There is no correct answer. We asked it because we wanted you to start thinking about what kind of taxes *you think* would be most fair.
8. C is the best answer. Several recent studies show that people with incomes of $8000 or more pay about the same percentage of their incomes for property taxes as people with higher incomes. (Those with higher incomes "move up" to more expensive homes, or buy a second home.) However, those with incomes *below* $8000 do pay a *higher* percentage of their incomes for property taxes than those with incomes over $8000.
9. B is the best answer. A study of sales taxes across the country showed that the average $30,000 family, with five times as much income as the average $6000 family, paid about *three times* more in sales taxes.

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MR. J. P. TILLAMOOK OF CORVALLIS, OREGON
1974

The family consists of Mr. and Mrs. J. P. Tillamook and son J. P., Jr., and Betsy. They have a home for which they paid $22,000, on which they have a $20,000 mortgage at 6 percent, and a gross income of $12,000 a year. What do they pay in taxes, both in terms of dollars and as a percentage of their income?

Home:	$20,000 Mortgage at 6%	Average interest $600.00 yr.		
	Assessed value of house	$25,000		
Property Taxes:	City of Corvallis	$ 4.57		
	Benton County	1.07		
	School District	16.03		
	Linn-Benton IED	7.00		
	Linn-Benton Com. C.	1.47		
		$30.14		
	Less property tax relief	.90		
		$29.24		
	means $29.24 per $1,000 valuation			$ 753.50
Federal Income Tax:	Gross income		$12,000.00	
Deductions:	Mortgage interest	600.00		
	Property taxes	754.00		
	Gas tax: Oregon (7¢ on 1000 gal)	70.00		
	Oregon income tax	426.00		
		1,850.00		
Exemptions:	4 @ $600.00	2,400.00		
Total deductions:		$4,250.00		
Net taxable income:			$7,750.00	
Federal income tax:				1,142.00
Oregon Income Tax:	Gross income $12,000			
	U.S. deductions (not Oregon Tax)	1,507.00		
	U.S. exemptions	2,400.00		
	U.S. income tax	1,142.00		
	Total deductions:	5,049.00		
	Taxable income:	6,949.00		
	Oregon income tax: (marginal rate 8%)			426.00
Total Taxes:				2,321.50

Federal income tax	as % of $12,000 income:	9.5%
State income tax	as % of $12,000 income:	3.6%
Property tax	as % of $12,000 income:	6%
Total taxes	as % of $12,000 income:	19.4%

Charlotte Harter, Director
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Oregon State University, Corvallis, Oregon

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HOW SHOULD WE FINANCE THESE PROJECTS?*

Divide the class into small buzz-groups (3-4). Have each group consider one of the following list of projects and agree upon a recommendation to be reported to the class.

How would you recommend financing your project? Why?

As each committee report is presented, the other members of the class can serve as a group of local citizens reacting to the proposal. Assign special roles to some of the class members by distributing slips of paper with profiles of people specified.

Widow, 67, owns her home.

Married man, 28, one two-year old child, rents an apartment.

Father of three school-age children, owner of a local clothing store, rents an apartment.

Teacher, 40, lives outside town.

Keep profiles on 3 x 5 cards for easy reference. Students can help to create profiles from real-life examples.

Each buzz-group should make an effort to answer objections raised by each citizen. Citizens should be instructed to support or object to each recommendation as specified by the profile.

Projects to be considered:

A two-year community college free to all residents of your community. Or should it not be free?

A new park and playground to be located in a slum area

A new park and playground to be located in a high-income residential area

A new hospital

A sewage disposal plant

Increased salaries for firemen and teachers

*Source: *Taxation in the U.S.: Teaching About* by Mindella Schultz (Economic Topic Series), Joint Council on Economic Education, 1212 Avenue of the Americas, New York, NY 10036.

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WOLF BOUNTY MEETING

In 1845 the problem of wolves attacking the livestock had become so bad that the settlers in the Willamette Valley called a meeting to discuss this. It was proposed that a bounty be paid for every wolf killed. It was generally agreed that this common practice would be a good solution. But then the question of how to raise the money to pay the bounty had to be decided.

Have the teachers role-play the discussion among the pioneers. Put each of the following quotations, representing different opinions, on cards to be given to the players:

"Let those who are attacked kill their own wolves."

"Let those who want to contribute to the bounty fund."

"Why should I contribute? I live in town and wolves don't bother me."

"Why should I contribute? If everyone else does, the wolves will be killed and I will be safe."

"Everyone is threatened by wolves. Everyone must contribute whether they want to or not! Otherwise there won't be enough money to pay the bounty and to get rid of the wolves."

"Some of us can afford more than others. Let those who can afford more pay the larger share."

Have each one, in the course of the discussion, explain the reasons for his or her opinion. After the discussion, have the class vote on each point of view.

C. Harter, Center for Economic Education
Oregon State University, 1972

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9. Consumer Choices

Description

Consumers, as individuals or families, share the basic economic problem of limited resources and unlimited wants. Most of our families use their resources of time and skill to earn money, and they use their money to buy most of the goods and services they need. In our economy family decisions about what to buy affect the mix of goods and services that are produced.

Each family makes its own choices because each family has its own unique goals and values. But all families need the best information they can get about the choices they have to make.

Should the family spend more on food and less on rent or clothing? What brand or quality of food and clothing should it buy? Should it spend any extra income, or should it save? If it saves, where should it put the money? Or should it borrow money today and pay back tomorrow? Where should it borrow from? And how should the family stand on proposals for higher (lower) taxes and additional (fewer) government services? (Calderwood and Fersh, pp. 39-46, 57, 114-119, 196-198.)

Materials Available

16mm FILM: *A Visit to Consumers Union:* 28 min., black and white. The film includes detailed segments of the testing of products. *Source:* Consumers Union Film Library, 267 West 25th Street, New York, NY 10001. Free except for 2-way postage.

16mm FILM: *Beginning Responsibilities: Using Money Wisely*, 11 min., color: *for primary grades*. Simple economic facts about money and its uses. How money is exchanged for time and skills and used for necessities of food, clothing, housing, taxes, and savings. Why careful choices are necessary to achieve maximum satisfaction from your income. *Source:* Film Library, Division of Continuing Education, P.O. Box 1941, Portland, Oregon 97207.

Using Money Wisely, 28 min., color, senior high and adult. The skills and knowledge essential to effective handling of money. Buying and credit power, counseling and information services. How to counter "high pressure" sales techniques. *Source:* same as above.

FILMSTRIP AND RECORD: *Truth in Lending: What Consumers Need to Know*, 15 min., color. Tells how the truth in lending law enables an individual who wants credit to make better choices. Contents do not promote any one type of consumer credit. *Source:* Federal Reserve Bank, Portland Branch, P.O. Box 3436, Portland, Oregon 97208; or your local Federal Reserve Bank. Free both sources.

HANDOUTS: *"Choosing Made Difficult."* A price comparison activity on instant teas. Appropriate for buzz-groups.
"It Is Particularly Important to Think Before You Buy Something Big."

TRANSPARENCIES: 9-1 through 9-26.

General Session

(1) As usual, we recommend beginning with a discussion of some of the activities teachers actually tried with the previous lesson's material.

(2) *A consumer can satisfy more of his or her needs and wants by wise choices in spending income (and using other resources).* We develop this concept with *transparencies 9-1* and *9-2*. *9-2* highlights the nonmonetary resources which are often overlooked (such as time). The point needs to be made that they, too, are limited. However, money income is the principal resource of consumers in the United States.

(3) *Each family has different values and goals, so the way each family chooses to spend its income will differ. Transparencies 9-4* through *9-6* give the opportunity for exploring how values and goals of individuals and family are developed and influenced, and therefore why they differ. Every consumer seeks maximum satisfaction.

(4) *The collection of goods and services a family buys for itself reflects its own values, goals and income level. Transparency 9-6* briefly states the 5 major decision areas

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each family must consider in spending its income. *Transparency 9-7* takes up the first of these choices, and can lead into a discussion showing how values, goals, and income level will cause different families to choose different alternatives. You might compare the things a sports-oriented family would buy with those a musically oriented family would buy.

(5) *Even choosing between similar goods is difficult because price is not always a reliable guide.* Consumers are confused by product differentiation, product complexity and the scarcity of objective information. The buzz-group activity, "Choosing Made Difficult," is a good way to introduce this concept. It makes the point that comparing brands of the same product by price is difficult, and trying to get a per-ounce or per-serving price is even more difficult. *Transparency 9-8* addresses itself to alternatives to a new, top-quality product. *Transparency 9-9* makes the point that top quality usually means high price, but that the reverse is not always true. The lessening of price competition by means of product differentiation, and advertising, can give business power to push up prices; higher incomes can raise prices by demand-pull. *Transparency 9-10* makes an oft-neglected point that because consumers' time is limited, they need readily available, objective information on which to base their choices. This is a logical place to show the film, "A Visit to Consumer's Union."

(6) *During one's working years, a person needs to save part of his or her earnings to pay for needs during unemployment or retirement (transparencies 9-11 through 9-16). Transparencies 9-14 and 9-15* are concerned with the effect of inflation on the purchasing power of savings. When prices are relatively stable and the dollar is not losing its purchasing power, "fixed" dollar incomes are satisfactory. But when prices are rising, in order not to lose purchasing power, the dollar amount of your income should be rising at a comparable rate.

(7) *Whether or not a consumer should use the readily available credit depends on both the state of the economy and his or her individual situation.* On *transparency 9-17* the answer to "how sure is your job," should include consideration of what the economy as a whole is doing—are you likely to be laid off because of a recession? The filmstrip and record *Truth in Lending* would be best shown after *transparency 9-19*. Classmembers might be asked to look in particular at how the new regulations do increase competition among lenders, and why this helps borrowers.

(8) *Transparency 9-20 deals with the fact that through the ballot box Americans can decide that some goods and services are better provided to everyone through the government and taxes, rather than privately marketed to those who can afford them.* For instance, besides possible social or political benefits, are there *economic* benefits to the individual and/or to the nation in having free education through the 12th grade?

(9) *Some people feel that certain consumer rights should be guaranteed so consumers can make the choices which will best fill their needs.* The right to choose is best protected by maintaining competition among sellers so a variety of goods, at prices close to costs, are available. This can lead to a discussion of the recent wave of consumerism, Ralph Nader, etc. Competition among sellers is an important way of protecting the consumer's right to choose and of keeping prices as low as possible.

(10) *Consumers' spending decisions affect both what the economy produces and stability. Transparency 9-22* makes clear how much of our total output consists of consumer goods and services. It might also be pointed out that much of government spending is for consumer goods and services like education and parks.* *Transparency 9-24* introduces the multiplier and shows how it contributes to recessions and inflations. While the point should be made that consumer spending fluctuates less than investment spending, nevertheless a small *percentage* increase in consumer spending (sometimes reflected in a decline in savings or credit repayment) involves a large number of dollars. The recovery of 1971-72 was started in large measure by an increase in consumer spending. *Transparencies 9-24* and *9-25* make clear that the effect of the increase in spending will probably be different depending upon the state of the economy when the increase takes place. *Transparency 9-26* brings up the idea that some firms can choose lower output and employment instead of cutting prices. This could lead to a review of the fact that the American economy has many markets for goods and services which are not very competitive.

(11) *It might be wise to take about five minutes to summarize the lesson* by running through the key points of it, both regarding consumers as individual spenders in the economy and how consumers as a group affect the economy.

*The instructor might want to point out that education is considered by many to be a form of investment—investment in human capital.

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CHOOSING MADE DIFFICULT*

(Prices: February 1970, Safeway, Corvallis)

Brand of Instant Tea	Nestea Hot Tea	Nestea Hot Tea	Canterbury Instant Tea (Safeway Brand)	Lipton Instant Tea	Canterbury Instant Tea w/ Sug. & Lemon	Nestea Instant Tea Mix w/ S & L	Nestea Instant Tea w/ L
Size of Jar	1 oz. weight volume: 10 fld. oz.	2 oz. volume: 2 c., 2 oz. (18 fld. oz.)***	2 oz.***	2 oz.***	12 oz. (same vol. as 2 oz. jar of just tea)**	12 oz.**	4 oz.**
Price	59 ¢	99 ¢	89 ¢	$1.09	69 ¢	79 ¢	99 ¢
Price per Ounce							
Serving per Jar	50 1 tsp.-cup	90 (on label) 1 tsp.-cup	90 1 tsp.-cup	90 1 tsp.-cup	45 2 tsp.-cup	45 2 tsp.-cup	90 1 tsp.-cup
Price per Serving							

*The consumer is the only "Purchasing Agent" who has to work this hard!
**All these jars have the same size and volume (although the net weight differs).
***All these jars have the same size and volume (although the net weight differs).

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IT IS PARTICULARLY IMPORTANT TO THINK BEFORE YOU BUY SOMETHING BIG

1. The money you spend for *x* cannot be spent for anything else.
   A. Which would you rather have: a washing machine, shares of stock, or a vacation? Why?
   B. Every additional dollar you spend for one thing is a dollar that you cannot spend for something else. Is it worthwhile to spend an additional dollar on that thing? (Diminishing marginal utility.)
2. There are good and bad sources of information about major purchases.
3. Many big items don't sell for a fixed price (bargaining range).
4. The true cost of a big item is the difference between what you pay for it and what you get when you sell it. This is influenced by:
   A. depreciation.
   B. inflation or deflation.
   C. cost of buying or selling the item.
   D. repair.
5. It costs money to borrow money. On the other hand, money that is saved can be earning interest. Interest you pay out, and interest that you could have earned both affect the true cost of buying and owning an item.
6. Some items are easier to sell than others and provide better protection against emergencies.

Hugh Lovell
Oregon Council on Economic Education
5/14/71

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10. Review, Display, "Just For Fun" Quiz

Materials Available

HANDOUTS: Evaluation Form, Package Course for Teachers

Suggested Readings in Economics

Suggested Books for Elementary School Instruction in Economics

Quiz - Package Economics Course for Teachers

CERTIFICATES OF COMPLETION: from Division of Continuing Education

Grade-Level Groups

(1) Complete the evaluation forms and return to the group leader. (2) Discuss questions, plans, activities, etc. (3) Discuss the questions on the evaluation form and the "goodness" or "badness" of the course.

General Session

(1) This session should begin with the actual posting—on walls and blackboards—of display material brought in by the various teachers. Some of the teachers should be asked to explain how their material was produced and how well the children responded to it.

(2) Instead of the usual general discussion of successes and failures in dealing with last week's material on economic growth and stability, it might be wise in a large class to organize big buzz-groups—ten to 15 people—which could conduct their own discussions of successes and failures relating to the course.

(3) Our most successful review activity is the "just for fun" quiz. It could be administered on an individual basis and actually scored in the usual way. However, we organized one class into the usual four- or five-person buzz-groups and asked the teachers in each group to try to agree on the best answer for each question. This brought forth lots of discussion and debate between the teachers, who would call the instructor over to their group if they couldn't agree on an answer among themselves. The instructor finally read the correct answers to the entire group and made comments on some of them.

(4) A brief formal review of the six concepts may be indicated. The major ones and related transparencies are generally as follows:

Concept	*Transparencies*
What economics is	1-2, 1-3
Scarcity, specialization, etc.	1-5, 1-6, 1-8, 1-11, 1-12, 1-13
Our modified market economy	2-2, 2-3, 2-5, 2-6, 2-7, 2-10, 2-12
Business and governments	
Business	3-1, 3-4, 3-11
Government	3-13, 3-15, 3-17, 3-20, 3-24
Specialization, the Oregon economy	
Oregon	4-3, 4-6, 4-7, 4-9, 4-10, 4-8
Specialization	4-16, 4-17, 4-20
Money and banking	5-1, 5-10, 5-13, 5-14, 5-15, 5-18
Growth and stability	5-14, 6-2, 6-10, 6-11, 6-12, 6-13, 6-14, 6-16, 6-17
Jobs and income	7-1, 7-9, 7-10, 7-13, 7-16, 7-24, 7-27, 7-28, 7-29
Oregon government services and taxes	8-1, 8-3, 8-4, 8-5, 8-21, 8-22
Consumer choices	9-2, 9-5, 9-6, 9-9, 9-14, 9-15, 9-24

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(5) We have found that this final session presents an opportunity to acquaint members of the school administration, school board and the community with economic education. We invite them to join the class for the last half of the final session to hear the teachers discuss their projects which they have developed and have on display, and to award the certificates of completion. (We do the quiz during the first part of the session.) The film described in session one, Dr. Dale Parnell, works very well to introduce economic education to the visitors. They are invariably impressed with the teachers' activities, and the teachers are pleased with the praise received (although sometimes they are a bit apprehensive in advance).

EVALUATION FORM
Package Economics Course for Teachers

Please be frank. You need not sign your name.

1. What grade do you teach?

2. How do you feel about the course as a whole?

   Strong points:

   Weak points:

3. Is there anything more you would like to tell us about. . . .

   a. The big-group session

   b. The grade-level sessions

4. How should we divide our time next time. . . .	Spend more time	Spend less time	About right
Big-group session			
Problems to be worked on			
Films			
Grade-level sessions			

Oregon Council on Economic Education
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Dr. Hugh G. Lovell, Education Director

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SUGGESTED READINGS IN ECONOMICS

Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962), 202 pp. A very readable and provocative argument for a *free* enterprise economy by a noted and conservative economist from the University of Chicago. He would, among other things, abolish public schools and end the licensing of doctors.

John K. Galbraith, *American Capitalism* (Boston: Houghton Mifflin, 1952), 208 pp. Paper. Sentry Book, 1962. In this, his countervailing power book, Galbraith argues that the power of big manufacturing corporations is checked by big labor unions on the one hand and big chain stores on the other—at least as long as we don't get too close to full employment.

Walter Galenson, *A Primer on Employment and Wages* (New York: Vintage Books). Discusses employment, inflation, poverty, and government policy, etc.

Robert L. Heilbroner, *The Worldly Philosophers: The Lives, Times, and Ideas of the Great Economic Thinkers* (New York: Simon and Schuster, 1953, 1967). 342 pp. Paper. Readable, lively, a best seller.

Robert L. Heilbroner, *The Great Ascent: The Struggle for Economic Development in Our Time* (New York: Harper and Row, 1969), 160 pp. Paper. Economic problems with focus on the western world and the problems of underdeveloped countries.

Laurence Leamer and George Dawson, *Suggestions for a Basic Economics Library* (New York: Joint Council on Economic Education, 1973). Relatively inexpensive works for the teacher. Ideas for building an economics library in the school or at home.

Delbert Snider, *Economic Myth and Reality* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1965). Snider debunks some economic misconceptions widely held by the general public.

Barbara Ward, *The Rich Nations and the Poor Nations* (New York: W.W. Norton & Co). This book looks at the rich and poor nations from cultural, sociological, and economic viewpoints.

The Economic Report of the President together with the Annual Reports of the Council of Economic Advisers (Washington: Government Printing Office, yearly). Published annually in January, provides an authoritative description of the nation's economic posture, charts, statistical information.

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SUGGESTED BOOKS FOR ELEMENTARY SCHOOL INSTRUCTION IN ECONOMICS

Primary Level

Muriel Stanek, *How People Earn and Use Money* (Chicago: Benefic Press, 1968), 48 pp. How Series Supplementary Social Studies Program: Basic Understandings for grade levels 3-5. Informative and factual descriptions of individual services and industries told simply. Selected vocabulary for clear, quick comprehension of subject matter.

Rossomando, Leventhall and Szymaszek, *Earning Money* (New York: Franklin Watts, Inc., 1967), 48 pp. (Working Together Series)

Rossomando, Leventhall and Szymaszek, *Spending Money* (New York: Franklin Watts, Inc., 1967), 48 pp. (Working Together Series)

John E. Maher and S. Stowell Symmes, *Ideas About Others and You* (New York: Franklin Watts, Inc., 1969), 48 pp. (Ideas About Series)

Intermediate Level

Sherwin S. Glassner and Edward N. Grossman, *How the American Economic System Functions* (Chicago: Benefic Press), 96 pp. Supplementary Social Studies Program, Basic Concepts Series for grade levels 5-9. Systematically arranged to develop understanding of today's world and its problems. Enriches and amplifies basic social studies concepts and skills.

Paul R. Hanna *et al., Economics: Modular Learning Unit* (Glenview, Ill.: Scott, Foresman and Co., 1970), 48 pp.

Elmer R. Kane, *How Money and Credit Help Us* (Chicago: Benefic Press), 96 pp. Supplementary Social Studies Program, Basic Concepts Series for grade levels 5-9. Systematically arranged to develop understanding of today's world and its problems. Enriches and amplifies basic social studies concepts and skills.

John E. Maher and S. Stowell Symmes, *Learning About People Working for You* (New York: Franklin Watts, Inc., 1969), 70 pp. (Learning About Series) A treatment of interdependence in our economy; shows how goods and services are produced by both private concerns and government; traces the modern trends in our economy and their effect upon our society.

Benjamin Peries and Charles M. Sullivan, *Economics for Everyone (Westchester, Ill: Benefic Press, 1971), 160 pp.*

For Additional Books See

Learning Economics Through Children's Stories by Nappi, Moran and Berdan (New York: Joint Council on Economic Education, 1973), 55 pp. An annotated bibliography reference book.

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QUIZ—THE PACKAGE ECONOMICS COURSE FOR TEACHERS

1. In a free-market economy like ours, which of the following groups exerts the most influence over what goods are produced?
   a. corporations
   b. governments
   c. consumers
   d. labor unions

2. When we talk about economic scarcity, we mean that
   a. much of the world's population lives in poverty.
   b. many natural resources are rare and hard to find.
   c. there will never be enough goods to satisfy all human wants.
   d. we do not use our natural resources to the fullest extent.

3. If the price of something goes up, those who produce it will
   a. get richer.
   b. get poorer.
   c. get richer or poorer, but we can't tell which.

4. If the price of beef goes up, which of the following prices will go up too?
   a. barbecue sauce
   b. chicken
   c. cowboys
   d. automobiles

5. People who own stocks issued by a corporation
   a. are owed money by the corporation.
   b. can lose their personal assets if the corporation goes bankrupt.
   c. can get their money back from the corporation after giving a suitable notice.
   d. own the corporation.

6. The government of the United States spends most on*
   a. education.
   b. interest on the national debt.
   c. national defense.
   d. foreign aid.

7. The output of our economy will probably not increase unless we have
   a. technological progress.
   b. a growing demand for goods and services.
   c. a growing population.
   d. full employment.

8. Which of the following would be the best money?
   a. ice cubes
   b. olive oil
   c. cigarettes
   d. cows

9. We could prevent bank failures completely if we
   a. forbid banks to lend money.
   b. required them to carry deposit insurance.
   c. prevented banks from making risky loans.
   d. required them to keep 50 percent of their deposits in a government bank like the Federal Reserve Bank.

*Note that the proportion spent on various items can change, and that one must be careful to note how government expenditures are categorized and defined. In 1972 and 1973, for example, defense was not the largest single item in the Federal budget. In the proposed 1976 fiscal year budget, defense combined with foreign policy, space, and veterans accounted for 33% of the total while income security accounted for nearly as much—32%.

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10. Which of the following declined most sharply in the depression of the 1930's?
    a. family spending on consumer goods and services
    b. business spending on plants and equipment
    c. government spending on goods and services
    d. all declined equally

11. The authority that decides whether we should have "tight money" or "loose" money" in the United States is
    a. the Congress.
    b. the Secretary of the Treasury.
    c. the Federal Reserve System.

12. Usually we should increase taxes
    a. when depression threatens.
    b. when inflation threatens.
    c. never

13. Specialization and trade would not pay off
    a. if we had no money and had to rely on barter.
    b. if all goods had to be transported by mule train.
    c. if I can do everything better than you.
    d. in any of the cases mentioned above.

14. Competition is important to our economic system because it
    a. eliminates wasteful advertising.
    b. prevents large firms from driving small ones out of business.
    c. forces prices and profits to a reasonable level.
    d. insures high quality products.

15. The largest revenue, of *total* Oregon State revenues, is
    a. the general fund.
    b. the "locked up," special purpose funds.
    c. the federal grants and aid revenues.
    d. none of these.

16. Measured in dollars, the most important service of an Oregon government is
    a. highways and parks.
    b. education.
    c. health, police, prisons, hospitals, and related services.
    d. welfare.

17. The largest number of unionized workers are found in
    a. small firms.
    b. the South.
    c. service industries.
    d. manufacturing companies.
    e. "white collar" jobs.

18. "Locked up," or allocated funds in Oregon
    a. can be spent as the legislature votes to spend them.
    b. include funds for education and welfare.
    c. are only a small part of the state's total funds.
    d. come mostly from income and property taxes.
    e. provide services especially benefitting those who pay the taxes into these funds.

19. Some workers don't change to a higher-paying job because
    a. they can't get the special training they need to qualify.
    b. special talents are needed.
    c. licenses or memberships are needed.
    d. conditions are so bad the higher salary doesn't make up for them.
    e. all of the above.

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20. A product is likely to be more expensive if it is
    a. of higher quality.
    b. produced where there is little competition among producers.
    c. any of the above-mentioned.

21. The Truth in Lending Act concerning consumer credit
    a. decreases competition between lenders.
    b. makes it hard for you to compare interest charges at annual percent rates.
    c. puts a ceiling on interest rates.
    d. requires that all charges connected with getting the credit be stated in one figure.

22. Draw a circular flow diagram.

Oregon Council on Economic Education
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Dr. Hugh G. Lovell, Education Director

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List of Transparencies *

Session One: What Economics Is All About

1-1 ECONOMICS (1) Allocation of scarce resources
(2) Analysis

1-2 ALLOCATION = deciding WHAT to produce
HOW to produce
FOR WHOM to produce

1-3 ANALYSIS = logical decisions

1-4 Three kinds of cost (overlays):
FIXED—insurance
VARIABLE—gas, oil
ALTERNATIVE—lost interest

1-5 The basic and universal economic problem—SCARCITY

1-6 Everyone *consumes* goods and services

1-7 Goods = things Services = un-things

1-8 Someone must *produce* the goods and services we need

1-9 Wants and needs (chart)

1-10 LAND—natural LABOR—people CAPITAL—tools and machines

1-11 Our resources are scarce

1-12 To *stretch* our resources we . . . (overlays)
(1) Use tools (capital)
(2) Specialize

1-13 Two things that help us to *specialize:*
(1) Transportation and communication
(2) Money

Session Two: Producers and Consumers

2-1 A SIMPLIFIED MARKET ECONOMY
Everything is bought and sold
Families sell resources, buy goods and services
Firms buy resources, sell goods and services
No government

2-2 A MODIFIED MARKET ECONOMY
Almost everything is bought and sold
Governments regulate, produce and transfer

2-3 CIRCULAR FLOW CHART

2-3a CIRCULAR FLOW CHART—The Pioneer Barter System

2-4 How do prices help to determine—
What to produce?
How to produce?
For whom to produce?

2-5 In most families the father or mother works to earn money—sometimes both

2-6 The price of labor (pay) helps the father or mother to decide what work to do

*Transparencies on an overhead projector have proved effective in making the key points and are popular with the teachers. The exact wording for most of them is reproduced here. They can be constructed with a typewriter having primary size type and some simple art work.

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2-7 How a market economy allocates its labor resources—
away from low-wage tasks
toward high-wage tasks

2-8 Families buy most of the goods and services they need

2-9 Prices help the family to decide what goods and services to buy

2-10 Families won't pay a high price if they can get the same thing for a low price

2-11 The Succotash Theorem: If the price of corn goes up, use more beans

2-12 Prices help families to decide:
How to earn money
How much they can spend (income)
What to buy

2-13 What to produce? —Make things that earn a high profit
—Stop making things that earn a low profit
(Prices influence profit. Profit = income minus cost.)

2-14 How to produce? —Buy from the cheapest source
—Be efficient
—Follow the succotash theorem

2-15 Prices help firms to decide —what to produce
—what resources to buy
—how to use them

2-16 What? Whatever you want—*if* you can pay for the resources needed

2-17 How? As efficiently as possible—considering the prices of the resources used

2-18 For whom? For families who want to buy *and* can afford to buy

2-19 Problems of a market economy—
What—Immorality, shortsightedness
How?—Waste of free resources
For whom?—Unfairness

Session Three: Business and Governments

3-1 Business firms—
produce goods and services
sell for money
use money to buy resources
Left-over money = profit

3-2 The adventure Get a *good* idea
Borrow money
Do your thing
Wind up rich/broke

3-3 Businessmen (explorers) run great risks, hope for great rewards

3-4 How do we encourage business enterprise? Banks
Civil law
Corporations
Insurance companies
Patents/trademarks
Post Office
Stock exchanges
Transportation systems
Uniform money

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3-5 Three types of business — Proprietor — me
Partnership — you and me
Corporation — stockholders
limited liability
elected directors

3-6 First—handwoven cloth
low total quantity
high price
"normal" profit for weavers

3-7 "Normal" profit: Enough to keep the present firms alive
Not enough to bring new firms into the industry

3-8 Next—first textile factory
higher total quantity
lower prices
high profit for factory
low profit for weavers

3-9 Third—more factories
still higher output
still lower prices
lower profit for factories
ruination for weavers

3-10 Eventually — high and stable output
low price
"normal" profit for factories

3-11 Why it doesn't always work One giant firm may be enough
A few giant firms may be enough
We pass laws to limit competition

3-12 Corporation assets in 1966 (pie chart)

3-13 Governments regulate, produce, transfer

3-14 Why buy through Government?
(1) I benefit if my neighbor has fire protection, schools, sewage disposal, etc.
(2) Some jobs are too big for private groups — e.g., welfare

3-15 Federal spending*

3-16 Pie charts: Easy to make

3-17 Federal income*

3-18 An opinion question: If Jones earns five times more than Smith . . .
(a) They should pay the same taxes — both citizens
(b) Jones should pay five times more — he earns five times more
(c) Jones should pay more than five times as much — he can afford it better

3-19 If Jones earns $30,000 and Smith earns $6,000
Jones' sales tax is 3 times greater
Jones' property tax is 3 times greater
Jones federal income tax is 14 times greater

3-20 Federal government — income, payroll taxes
State,† local governments — sales, property taxes

3-21 Intelligent buying: (About maximizing a family's satisfaction)

3-22 Family A and family B: (About maximizing total society's satisfaction)

3-23 What is fair?

*Available in: Council of Economic Advisors, *Economic Report of the President*. Published each year in February, U.S. Gov't. Printing Office, Washington, D.C.

†In Oregon, income tax; no sales tax.

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The one who gets should pay
The "benefit" theory
Is "the one" a person, society?
The one who can should pay
The "ability" theory

3-24 How does the federal income tax measure up?
(1) Is it "fair"? Is it equitable?
(2) Is it easy and cheap to collect it?
(3) Does its revenue grow with the economy?
(4) Does it help to stabilize the economy?

3-25 Federal income tax: "Soak the Rich" tax
Progressive — higher incomes pay higher rate
Ability to pay philosophy

3-26 Graph of nominal vs. effective federal income tax rates

3-27 Payroll taxes: Social security and unemployment compensation
(1) "Insurance Premiums"
(2) Employer pays part of them
(3) Help to lessen the "booms" and "busts"

Session Four: Regional Specialization and Trade

4-1 Land-use map of Portland area

4-2 Use the land-use map to show

where we live
where we shop
where our friends and parents work
what goods and services they produce
who buys those goods and services

4-3 What 100 Oregonians would produce —
37 produce goods
63 produce services

4-4 37 produce goods: 9 farm goods
10 lumber
4 building roads
14 other goods

4-5 63 produce services: 21 in stores
19 in schools, governments
5 in transportation
18 in other service industries

4-6 Goods and services we sell to each other:

milk	auto repairs
schools	roads
government	hospitals
(secondary industries)	

4-7 Goods and services we sell to other places:

apples	vegetables	
fish	fruit	
wheat	lumber	(primary industries)
paper	swim suits	
heavy equipment	electronic gear	*Source:* V, p. 50

4-8 What Oregonians buy from other places

bananas	autos	
lettuce	oil	
shoes	movies	
books	television sets	*Source:* V, p. 52

4-9 When primary industries grow, secondary industries follow

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4-10 Fifth-grade questions:
What are the primary industries?
Why are they here?
Is the demand for them growing?
Is the region growing, prospering?

4-11 What would happen if there was . . .
A housing boom?
A big demand for wheat?
A way of making paper out of garbage?

4-12 **Before**

Hatfields and *McCoys*		
8 hours	1 bu.	12 hours
9 hours	1 yd.	10 hours
17 hours		22 hours

4-13 **Specializing**

Hatfields and *McCoys*		
16 hours	2 bu.	
	2 yd.	20 hours

4-14 **After trading**

Hatfields	and	*McCoys*
16 hours (was 17)	1 bu. / 1 yd.	20 hours (was 22)

4-15 Specialization STRETCHES our resources.

4-16 Specialize where your *comparative* advantage is
If I can do *everything* better than you?
If I have to do my *second-best* thing?

4-17 How we encourage specialization —
Banking system
Post Office
Transportation subsidies
Uniform currency
Uniform weights and measures

4-18 Cost per ton — Albany to Buffalo — before canal $100
after canal $ 20

4-19 *Specialization*

helps	may hurt
us	me

4-20 Laws that affect specialization —
You can't use foreign ships
You can't export hats, woolens
You must pay a tax (tariff) on imported machinery
You must pay a tax (tariff) on wheat from another state

4-21 Specialization and trade help:
neighbors
regions
countries

4-22 What we export: Vehicles (½ of all our exports)
Electrical and other machinery
Farm products (17% of our farm output)

4-23 What we import: coffee, tea, cocoa, spices, fish, bauxite, tin, newsprint, typewriters

4-24 Foreign trade is a good thing.
(overlay:) Those *!%* foreign products will ruin me!

4-25 No specialization — 50/50 division of resources

Finmark	Denland	Total
600 bu.	500 bu.	1,100 bu.
300 qts.	500 qts.	800 qts.

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4-26 After Specialization — All resources used for one product

Finmark	Denland	Total
1,200 bu.		1,200 bu.
	1,000 qt.	1,000 qt.

Gain — 100 bu., 200 qt.

4-27 If Denland was better at both products

(1st overlay): *Originally* — 50/50 resource use

Finmark	Denland	Total
400 bu.	1,000 bu.	1,400 bu.
300 qt.	400 qt.	700 qt.

(2nd overlay): *After specialization*

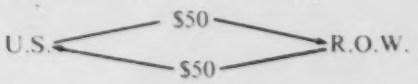
Finmark	Denland	Total
	2,000 bu.	2,000 bu.
600 qt.		600 qt.

(3rd overlay): Modified for more wine —

Finmark	Denland	Total
	1,500 bu.	1,500 bu.
600 qt.	200 qt.	800 qt.

4-28 Arguments against free trade: It will hurt me
Protect infant industry
National defense

4-29 We spend $50 on machinery



R.O.W. spends $50 on U.S. cotton
Everything cancels out

4-30 English machinery man sold his $ for R.O.W.
R.O.W. cotton man bought $ with R.O.W.'s
Price of $ in R.O.W. changed with supply of and demand for $

4-31 *U.S.A.* We will buy/sell gold at $35 an ounce.*
R.O.W. We will buy/sell gold at $700 an ounce.
Result: 1/35 oz. of gold = $1 = $20

*It must be made clear to students that this is no longer the case. The dollar has been devalued and currencies are "floating." Important points can be made about such things as inflation and its impact on the demand for American goods, and the resulting effect that this can have on the value of the dollar in relation to other currencies.

4-32 Balanced "Trade" — Value of our exports − Value of our imports = Δ

(Goods and services — tourism, shipping, etc.)

4-33 Balanced "payments"

$ received from overseas
- U.S. exports
- stocks sold to foreigners
- interest on U.S. loans to foreigners
- etc.

$ sent overseas
- U.S. imports
- foreign aid
- stocks bought from foreigners
- interest paid to foreigners
- gifts to foreigners
- etc.

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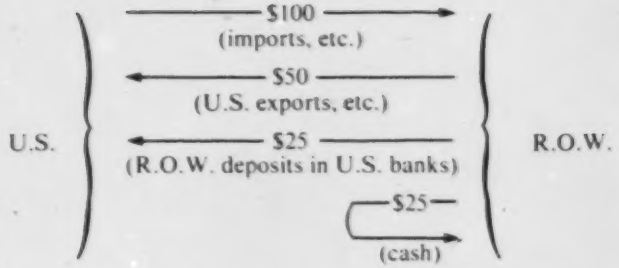
4-34



4-35

USA	R.O.W.
.343 billion ounces of gold, at $35 an ounce	$12 billion deposits in U.S. bank
	12 billion U.S. cash
$12 billion	$24 billion

4-36 A run on the dollar —

(overlays): (1) *The run:* Let's buy gold while the price is still $35 an ounce

(2) *The devaluation:* We are running out of gold. We *must* raise the price to $70 an ounce.

1/35 oz. = $12 = R20

(∴ = $1 = $10)

(3) *The Aftermath:* Those who bought $100 worth of gold at $35 an ounce can now sell it back to us for $200

4-37 What devaluation means in theory

(overlays): (1) We would import less — imports cost more in dollars

(2) We would export more — our products cost less in R.O.W. money

(3) Our balance-of-payments problem might thus be solved

4-38 What devaluation would mean in practice*

(overlays): (1) Other countries would devaluate, too — no gain for us

(2) Our enemies would get rich (including Union of South Africa, U.S.S.R.)

(3) Our friends — who have been holding dollars — would suffer greatly

(4) World trade might be greatly reduced

*The international monetary situation has changed drastically since this was written. The instructor might present students with this item, pointing out how it says what *would* happen if the dollar were devalued, and then asking the students to discuss what *did* happen after the recent dollar devaluations. To what extent were the predicted effects accurate? How can we explain what happened?

Session Five: Money and Banking

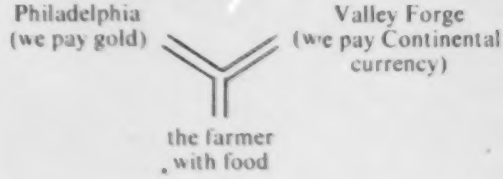
5-1 Money is anything that people will accept

5-2 The colonial balance of payments problem

Colonies ——— gold ——— England

to pay taxes, interest, and to buy English goods

5-3 Which way?



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5-4

Bank of Atlanta (Boston)

Gold	$10	Instructor	$ 5
		Banknotes	5
	$10		$10

5-5

Bank of Atlanta (Boston)

Gold	$10	Instructor	$ 5
IOU's	30	Banknotes	35
	$40		$40

5-6

Bank of Atlanta

Gold	$10	Instructor	$ 5
Boston banknotes	10	Banknotes	45
IOU's	30		
	$50		$50

5-7

Money orders

Boston	Atlanta
takes money	takes m.o.
issues m.o.	issues money
Later	
takes m.o.	takes money
issues money	issues m.o.

(no money need be shipped)

5-8 Proposed banking laws

(1) Forbid banknotes, not gold
(2) Forbid money lending
(3) Regulate lending (portfolio)
(4) Take no "foreign" banknotes
(5) Reserve requirements

5-9 A gold-only bank run

First — a deposit of gold	gold	$10	dep.	$10
Second — the gold is lent	IOU	$10	dep.	$10
Third — the run starts	Bankrupt (no gold)			

5-10 Modern banking laws — No banknotes
Portfolio restrictions
Reserve requirements
Deposit insurance
Emergency help

5-11 Deposit expansion — Bank A

(An $800 loan)		(After the borrower spends his deposit)		(Initial deposit $1000)	
R $1000	D $1800	R $200	D $1000	R $1000	D $1000
IOU 800		IOU 800			
$1800	$1800	$1000	$1000		

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5-12 Deposit Expansion — Bank B

($800 is deposited)				(A $640 loan)				(The borrower spends his deposit)			
R	$800	D	$800	R	$800	D	$1440	R	$160	D	$800
				IOU	640			IOU	640		
					$1440		$1440		$800		$800

5-13 Our money supply is flexible.
We can increase it
We can decrease it

5-14 *When new money is put into circulation* —
more goods and services are sold
those who produce them can buy more
employment and output rise
shortages may develop
prices may go up

5-15 Why oppose "loose" money?
(1) fear of panic, depression
(2) gold outflow problems
(3) inflation helps borrowers, hurts lenders

5-16 Then — 50¢ wheat — Farmer Brown borrows $100 — can buy 200 bushel

Now — $1.00 wheat — Farmer Brown sells 100 bushel — pays back the $100

5-17 Tight money vs. loose money
Andrew Jackson and the U.S. Bank
Bimetalism
Greenbackism
Free silver
The "surtax"

5-18 Our money supply (pie chart)

Session Six: Economic Growth and Stability

6-1 The main cause of U.S. growth
transportation
invention and innovation
more, better labor
more capital and natural resources
people willing to buy something else

6-2 Our Gross National Product and who buys it
(pie chart)
$870,000,000,000 — 1968

6-3 GNP in Guatemala — 1965 (pie chart)

6-4 Cafeteria price index

	Price then	Price now
½ pint milk	$ .10	$ .15
1 hot dog	.20	.30
1 bowl soup	.10	.15
1 dish ice cream	.10	.10
	$ .50	$ .70
(1st overlay) multiply by price index =	2	2
"then" base	$ 1.00	$ 1.40

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(2nd overlay) multiply by

price index	=	1.43	1.43
"now" base		$ .71½	$ 1.00

6-5 Gross National Product — constant prices — *Source:* V, p. 56 (chart) 1870 - 1970

6-6 Gross National Product per Person — constant prices (chart)
Source: V, p. 56

6-7 Our labor force — 1940 and 1975 (pie charts)
Source: VIII, p. 117

6-8 "Gee whiz" chart and ordinary chart

6-9 "Gee whiz" chart and ordinary chart

6-10 Potential GNP (chart showing inflation and depression)

6-11 How to get economic growth without
(a) inflation
(b) depression

6-12 Output GNP responds to changes in demand —
Demand ↑ . GNP ↑
Demand ↓ . GNP ↓

6-13 To increase demand and output —
(1) up government spending
(2) use easy money — so borrowers will spend more
(3) cut taxes — so taxpayers will spend more

6-14 To reduce demand (and inflation) —
(1) cut government spending
(2) use tight money — so borrowers must spend less
(3) up taxes — so taxpayers must spend less

6-15 Newness — Keynes - 1935
GNP data - 1940
Council Econ. Advisers - 1946
Kennedy tax cuts - 1964-65
The surtax - 1968

6-16 Prediction —

sunspots	skirts
profits	stock market
orders for durable goods	profits
construction contracts	layoffs
working hours	inventory change
etc.	

6-17 Choice . . .

(1st overlay)	(2nd overlay)
Which method?	Which goal?
lower government spending *or*	stable prices *or*
higher taxes *or*	reduce unemployment
tighter money	

6-18 Fiscal policy and the national debt —
If we cut federal taxes and increase federal spending, our national debt will go up

6-19 Is the national debt a problem?
(1) small compared to GNP
(2) transfers money from taxpayers to bondholders
(3) depressions are worse

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6-20 The economic battle of the *Civil War*

Civilians had been buying	food clothing tools labor transportation	But now the armies needed them!

6-21 Policy: Print money for the Army. Let it *outbid* the civilian buyers

6-22 Result: Inflation!
Supply was limited
Military demand
Civilian demand
(Civilians who sold to the military had more money to spend)

6-23 Alternative: Cut civilian demand, thus releasing supplies to the military
higher taxes
tight money
patriotism
direct control

6-24 The Great Depression

Our people had been buying	food clothing shelter tools etc.	but suddenly they stopped!

6-25 GNP dropped 1929 - $104.4 billion (pie chart) 1933 - $56.0 billion (pie chart)

6-26 What happened to demand?
(1) Business demand vanished — no one wanted to buy
no one wanted to lend
(2) Consumption demand slumped — no job — no money

6-27 Our initial policy was wrong
(1) Tight money — to rebuild the banking system
(2) Cut government spending — because tax collections are down

6-28 What we should have done:
(1st overlay):
(1) Diagnosis — 1929 and 1930
Investment dropped $15 billion
Caused consumption to fall by $33 billion
Total drop in GNP, $48 billion
(2nd overlay):
(2) Plan . . .
Replace the missing $15 billion
Then consumption will stay
the same and GNP won't fall
(3rd overlay):
(3) Procedure . . .
(a) Get business to spend the $15 billion (how?)
(b) Get consumers to spend $15 billion more (how?)
(c) Let government spend $15 billion more (but no tax increases)

6-29 What we did:
(1st overlay):
(1) Government spending

Federal deficits —	
1930-40	$3.5 billion a year
1941	$13.4 billion
1942	$48.2 billion

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(2nd overlay):
(2) Loose money — Federal Reserve "discount" interest rates

1929	- 5.16%
1930	- 3.04%
1933	- 2.56%
1935	- 1.50%
1938-47	- 1.00%

Session Seven: Jobs and Income

7-1 Household income: (pie chart)

71% *Labor Income*
wage, salaries, royalties
(including fringe benefits)

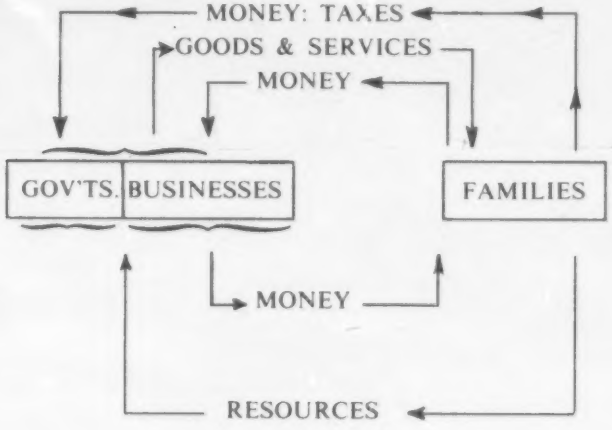
14% *Property Income*
rents, dividends, interest

10% *Proprietor's*
partly for his or her labor; partly
return on his or her capital

5% *Transfer*
social security, unemployment
benefits, welfare, price support
payments to farmers

80% Household Income (pretax) from *Labor*

7-2 Circular flow diagram of resources/goods and money



7-3 The proportion of women in the work force will continue to rise:

1950	30% of labor force
1974	45% of labor force
	(50% increase)

Number of women in labor force:

1950	18 million
1974	42 million
	(more than double)

7-4 2/3 of women working are married to men who earn less than $10,000 a year (1971)

7-5 Working wives contribute about 1/4 of the family income

7-6 For a bigger paycheck: (1) work longer (Quantity); (2) get more per hour (Price); paycheck = P × Q

7-7 Median yearly earnings: occupations

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7-8 What sets a wage rate or salary?
Demand for that type of work interacting with
Supply of workers to do that work

7-9 Demand for workers comes from (1) what the worker is making; (2) what the article sells for; and (3) how fast the worker turns them out (productivity)

7-10 *Supply* of workers depends upon *mobility*. You will move to a better-paying job if you can!

7-11 Why workers can't move to better-paying jobs:
(1) Requires inherited talents that they don't have
(2) Inadequate training
(3) Cost of training
(4) Don't know about the better job
(5) Discrimination
(6) Family ties
(7) Market power keeps people out
(8) Dangerous/unpleasant work

7-12 Groups which represent their members and influence wages:
American Bar Association
American Medical Association
National Education Association
Oregon Barbers Association
Unions

7-13 Public policy affects wages:
Minimum Wage Law; Child Labor Law; Employment Act; Social Security Act; immigration quotas; compulsory education

7-14 Which occupation to choose?
(1) My interests; (2) my abilities; (3) training I have—or I can get; (4) what income will I make? (5) will there be a job opening when I'm ready?

*7-15 Labor force will grow by 15 million in the 70's

*7-16 Employment will continue to shift toward white collar and service occupations

*7-17 Professional, technical and service occupations will grow fastest.

*7-18 Most new jobs will be in the service producing industries.

*7-19 State and local government and service industries will grow fastest.

7-20

	Jobs for College Graduates Occupation*	*1980 Supply vs. Demand % Increase Required*	*(No. Required) Supply*
	chemists	55.7	
(overlay 1)	counselors	49.8	
	dieticians	40.3	significant
	dentists	31.7	shortage
	physicians	53.1	
	physicists	63.9	
(overlay 2)	engineers	40.2	
	geologists and geophysicists	20.6	slight shortage
	optometrists	23.5	
(overlay 3)	architects	47.1	in balance
	lawyers	22.7	
	pharmacists	7.0	slight surplus
(overlay 4)	mathematicians	60.5	
	life scientists	40.8	significant
	teachers, elementary and secondary	7.8	surplus

*if past study and work patterns continue

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*7-21 Reduced teacher openings will prompt many college graduates to enter other fields

7-22 To find and keep a job, you need to know how to:
(1) Look for a job
(2) Fill out an application form
(3) Be interviewed
(4) Meet the boss' requirements about work rules, attitudes, etc.

7-23 Where do you find job openings?
(1) State Employment office — your city
(2) Private employment agencies
(3) Want ads in newspapers
(4) School employment services
(5) Contacting companies directly — on the chance . . .
(6) Apprenticeship programs — earn while you learn

7-24 *5 "C's" of Unionism*
(1) Cash: wages
(2) Conditions: hours, vacations, work speeds, etc.
(3) seCurity: job seniority; discharge for reason only; appeal right; union security
(4) Complaints: Grievance machinery
(5) Club: gives social importance to members

7-25 Refuse to join a union?
Where would you find a job?
(1) Farm worker; (2) finance; (3) retail trade (but have fastest growing union); (4) white collar job; (5) small firm; (6) in the South (2/3 of all union members in the 10 northern industrial states)

7-26 How fast can wages rise?
As fast as productivity
Raise wages (and incomes) faster than productivity — get inflation, prices go up, not living standards

7-27 How big an income pie — for all of us?
(1) Productivity
(2) Supply of resources

7-28 How are the productivity gains to be passed out?
To consumers — as lower prices?
To workers — as higher wages and fringe benefits?
To business — as dividends, bonuses, or for expanding the business?
Or some for each?

7-29 How big a slice — for any *one* group?
(1) Productivity of workers in group
(2) Market power: Competition? Easy entry? Bargaining power?
(3) Legislation — minimum wages, etc.

*Charts from U.S. Dept. of Labor, *U.S. Manpower in the 70's: Opportunity and Challenge*. Supt. of Documents, Gov't Printing Office, Washington, D.C. 55¢

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Session Eight: Oregon Government Services and Taxes

8-1 Oregon governments
- Do produce goods and services — mostly services
- Do *NOT* stabilize annual growth
- (State's biannual budget *must* be balanced)

8-2 Local government is many governments
- Cities
- Counties
- School districts
- Special districts: cemetary, domestic water, drainage, flood control, hospital, park and recreation, etc.

8-3 What local governments produce
- Local government spending — 1967 (pie chart)
  - 57% Education — K-12, community colleges
  - 15% General government
  - 10% Highways
  - 8% Miscellaneous
  - 4% Police
  - 3% Health
  - 3% Parks and recreation

8-4 Local government revenues (pie chart)

Property taxes	50%
State grants	25%
Fees, etc.	25%

8-5 State government produces mainly services (education most important)
- Oregon 1966-1967 (pie chart):
  - 24.2% Highways
  - 20.7% Higher education } 40%
  - 19.3% General education }
  - 12.8% Other
  - 9.2% Public welfare
  - 5.6% Natural resources
  - 5.2% Health and hospitals
  - 1.4% Correction
  - 0.8% General government
  - 0.8% Police protection

8-6 State highways, parks
- Second most important government service
- Controlled by Highway Commission, not by legislature
- Financed by "locked-up" gas, vehicle taxes and by federal highway funds
- 25% of Oregon state expenditures

8-7 Total state revenues
- 1969-1971 (pie chart):
  - 43% "Locked-up" and other special funds
  - 31% General fund
  - 25% Federal funds (education, welfare, transportation)

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8-8 Services produced by General Fund spending (voted by each legislature) 1969-70 (pie chart):

All education		59%
Basic (local) school support	25%	
Higher education	24%	
Other educational services	7%	
Community colleges	3.5%	
Human resources:		30%
Welfare	15%	
Other	15%	
Other		7%
Property tax relief		4%

8-9 Welfare: Third biggest service
- 15% of General Fund
- Federal government matches state payments
- Local governments pay nothing

8-10 Who gets welfare?
- Children — ADC 50-60% of total
- Sick — medical assistance
- Aged — old age assistance

8-11 Why buy through government?
- (1) I benefit if my neighbor has fire protection, schools, sewage disposal, etc.
- (2) Some jobs are too big for private groups — e.g., welfare

8-12 Cartoon picture; "You know, the idea of taxation *with* representation doesn't appeal to me very much, either." from *New Yorker* magazine

8-13 An opinion question:
If Jones earns five times more than Smith . . .
- (a) They should pay the same taxes — both citizens
- (b) Jones should pay five times more — earns five times more
- (c) Jones should pay more than five times as much — he can afford it better

8-14 If Jones earns $30,000 and Smith earns $6,000,
- Jones' federal income tax is 14 times greater
- Jones' property tax is 3 times greater
- Jones' sales tax is 3 times greater

8-15 Why — An example

Smith's house	$12,000	Jones' house	$36,000
Tax = $300		Tax = $900	

at 2.5% of value

8-16 How to judge a tax
- Fair? (What is fair?)
- Equals are taxed equally?
- Easy to understand?
- Cheap to collect?
- Hard to evade?
- Most feathers, least squawk?
- Steady, predictable revenue?

8-17 What is fair?
- The one who gets should pay
  - The "benefit" theory
  - Is "the one" a person, society?
- The one who can should pay
  - The "ability" theory

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8-18 Individual Oregon income tax — 24% of state revenue
Rates are mildly progressive:
4% on $1,000 income up to
10% on $10,000 and above
Federal income tax deduction (up to $3,000)
Hard to administer, but hard to evade
Little "squawk," because withheld

8-19 Individual income tax — the "effective rate"
(graph chart showing how it is progressive, proportional and then regressive)

8-20 Higher incomes match higher government spending, 1957-1967

State and local taxes, spending	up 79%
Oregon personal incomes	up 81%

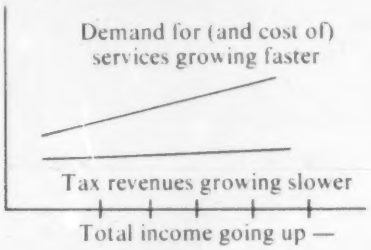
Government taxes, spending still 10.37% of income

8-21 How Oregon taxes compare
State and local taxes: 1969

Calif. (high)	12.6% of income
Oregon (5th)	10.5% of income
Washington (9th)	9.7% of income
Nevada (10th)	7.1% of income*

*Excludes gaming tax = 1/3 of tax take

8-22 The problem: The widening gap



RESULT: Not enough money to pay for services

8-23 How to close the gap?
Which alternative?
Which combination of alternatives?

8-24 Alternative 1 Cut services
Which ones? Welfare?
Result in higher police costs?
State Parks? No property tax relief;
Their money comes from locked-up gas taxes

8-25 Alternative 2 Increase productivity
Hard to do with services; they use much labor and little "machinery"
In education: 40 in a classroom? Specialization?
More capital (computers, teaching machines, TV)?

8-26 Alternative 3 The one who benefits should pay
(1) Higher state park fees?
(2) Parents pay some tuition for elementary schooling?
(3) Higher college tuitions?

8-27 Alternative 4 More tax revenues
From present taxes?
From new taxes?
By shifting taxes or services?

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8-28 More tax revenues from *present* taxes
- (1) Higher tax rates for property;
  business? home? agriculture? timber? public utilities? on cigarettes?
- (2) Make income tax more progressive
  add more steps and higher rates on higher incomes
- (3) Tax more TYPES of property and income
  country clubs, lodges, churches, federal government land, timber, inventory
  remove federal taxes exemption
  remove interest payment exemption

8-29 New taxes for more revenue
- (1) Retail sales tax, exemption food and drugs (proportional)
- (2) Value-added tax (hidden sales tax)
- (3) Land tax; on land, *not* improvements

8-30 Shift tax revenues
- (1) Unlock "locked-up" revenues (federal and state gas taxes)?
- (2) More of cigarette (and other?) tax receipts to local property tax relief?
- (3) Federal government share income tax revenues with states, cities?
- (4) State pay higher percentage of local school costs?

Session Nine: Consumer Choices

9-1 Income (and other resources) limited. Wants unlimited
So CHOICES must be made

9-2 Resources
- (1) Money income: present income, past earnings — saving, credit
- (2) Nonmoney (help stretch income)
  Time, knowledge, skill, community: library, extension, etc.

9-3 Are you a "keep-up-with-the Jones-er"?
Lured by every ad?
How do you choose?

9-4 Values influence choices (drawing)

9-5 Vote your $ for your choices
- (1) What you think is important (values)
- (2) Where you want to go (goals). Every family is different

9-6 Which wants? Choices!
- (1) What "mix" of goods, services?
- (2) Which of similar goods?
- (3) "Grasshopper" or "ant"?
- (4) Save first or borrow?
- (5) Private or public services?

9-7 What mix?
$3,000 trailer? Trip to Europe? college? car?
$50-bike for sis? ½ pig for freezer? savings bond?
$200-stove? outboard motor? trip for Grandpa? life insurance?

9-8 Choices:
- (1) new or used?
- (2) a 21-jewel watch for your 5-year-old?
  (top quality or utilitarian)

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9-9 Do you get what you pay for? Does high price reflect:
(1) quality only?
(2) or market power of producer?
(3) or what you can afford?

9-10 Quick reliable information for family choices
Which tires? which car? which peanut butter?
Home extension agent. U.S. Government Printing Office. U.S. Government Grades.
Consumer Reports* Consumer Bulletin* Changing Times*
*no ads; consumer-oriented

9-11 Grasshopper or ant, or what if we live to be 80?
(1) how much to spend now for security then?
(2) what type of savings/investment will do the job best?

9-12 Choice: For future income
Social security, private retirement, and pension plans
private insurance
stocks and bonds, real estate, savings account

9-13 "Best buy" will depend on
(1) what it cost you for every dollar of future income
(2) what prices will be doing in next 30 years
(3) what economy will be doing in next 30 years

9-14 Good income sources when prices are stable —
annuities, life insurance, bank savings, government and corporation bonds, rent, salary, what you lend

9-15 Good income sources when prices are rising —
own business income, home you live in, real estate, farm incomes, common stock, what you borrow

9-16 Social security a best buy
Employer pays part of its cost, assured minimum income, benefit checks usually rise with prices
Least chance of going bankrupt; goes with you from job to job, covers widow and children, even for some college

9-17 Save first or borrow?
(1) How sure is your job?
(2) What are prices doing?
(3) How much debt do you have already?

9-18 Borrow — enjoy it while you pay for it. Consumers debts 1970 — $420 billion!
Pie chart: 60% house mortgages, 30% consumer credit installment: cars, washers, charge accts., 10% other bank and ins. loans
(about 60% of all families have some personal debt not counting charge accounts)

9-19 Which credit? The cheapest! Federal regulations help borrowers
(1) to make it easier to figure cost of credit.
(2) to promote more competition among lenders.

9-20 Medical care, education, old age pensions — How should we provide these?
(1) Should each individual buy it if (a) he or she wants it? (b) and he or she has enough income to buy it?
(2) Should we ask government to provide it to everyone free (or below cost) and pay for it with taxes?
(3) Would some combination of (1) and (2) work best?

9-21 Right of consumers
- to choose, competition among sellers
- to be informed about grade
- to be heard (complaints)*
- to restitution

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9-22 Consumers both sell to and buy from producers (circular flow chart)

9-23 Of all the goods and services produced, how much do consumers buy? (pie chart)
Consumers 2/3rds; business investment 1/7th; governments 1/4th

9-24 Small spending "spree" will cause bigger increase in output and income. Consumers spend (instead of save) more; about $10 billion. More goods sold; more orders to business; more people hired; more goods produced and incomes go up. So increase in total output and income (GNP) of about $30 billion.

9-25 Is the $30 billion more goods or higher price tags? If it was a fully employed economy, mainly higher price tags
If it was a slack economy, mainly more goods

9-26 Small cut in spending will cause a bigger drop in output and income (GNP). Mainly a decrease in goods and services, employment and income
Not much drop in prices

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